

The Commonwealth of Massachusetts: Auditor's dept.

DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

FOR THE

FISCAL YEAR ENDING JUNE 30, 1948 - 52

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STATE AUDITOR

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DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

For the

FISCAL YEAR ENDING JUNE 30, 1949

I have the honor to submit the Annual Report of the Department of the Auditor for the fiscal year, July 1, 1948 to June 30, 1949.

Section 12 of Chapter 11 of the General Laws defines the duties of the Department of the State Auditor.

"SECTION 12. The department of the State Auditor shall annually make a careful audit of the accounts of all departments, offices, commissions, institutions and activities of the commonwealth, including those of the income tax division of the department of corporations and taxation, and for said purpose the authorized officers and employees of said department of the state auditor shall have access to such accounts at reasonable times and said department may require the production of books, documents and vouchers, except tax returns, relating to any matter within the scope of such audit. The accounts of the last named department shall be subject at any time to such examination as the governor and council or the general court may order. Said department shall comply with any written regulations, consistent with law, relative to its duties made by the governor and council. This section shall not apply to the accounts of state officers which the director of accounts of the department of corporations and taxation is required by law to examine. The department of the state auditor shall keep no books or records except records of audits made by it, and its annual report shall relate only to such audits."

All requirements of the law relating to the duties and functions of the State Auditor have been carefully complied with for the fiscal year ended June 30, 1949.

Personnel: As of June 30, 1949, the permanent Civil Service staff of this office included nine World War I veterans, twelve World War II veterans and nine non-veterans.

The following permanent Civil Service appointment has been made:

PETER J. PONTUSO to Junior Accountant

New Audits: During the fiscal year audits of four new agencies were conducted, viz:

1. Nantucket Steamship Authority
2. Airport Management Board
3. School Buildings Assistance Commission
4. Division of Fisheries and Game

Audit of Housing Authorities: Chapter 682 of the Acts of 1949 provides as follows:

"SECTION 1. Section 26NN of chapter 121 of the General Laws, inserted by section 3 of chapter 200 of the acts of 1948, is hereby amended by inserting after subdivision (c) the following subdivision:-

"(d) A housing authority which sells bonds or notes to finance a project under authority of this section, or which has received funds from a city or town under authority of chapter three hundred and seventy-two of the acts of nineteen hundred and forty-six as amended, shall cause an audit to be made of its accounts annually at the close of a fiscal year by the department of the state auditor and a copy of the report of said audit shall be filed promptly with the board.

"SECTION 2. Section 8D of Chapter 372 of the acts of 1946, inserted by section 4 of chapter 479 of the acts of 1947, is hereby repealed."

This Act becomes effective on November 15, 1949, and audits of local housing authorities will be initiated immediately thereafter.

Audit of Metropolitan Transit Authority: Chapter 675 of the Acts of 1949 provides as follows:

"Chapter 544 of the acts of 1947 is hereby amended by striking out section 12 and inserting in place thereof the following:- SECTION 12. The trustees shall determine the character and extent of the services and facilities to be furnished, and in these respects their authority shall be exclusive and shall not be subject to the approval, control or direction of any state, municipal or other department, board or commission. Except as herein otherwise provided, the department shall have the same general supervision and regulation of, and jurisdiction and control over, the services and facilities of the authority as it has over street railway companies. The department of the state auditor shall annually make an audit of the accounts of the authority and make a report thereon to the trustees, the governor and council and the general court. In making said audits, said department of the state auditor may call upon the department of public utilities and other departments, commissions, officers and agencies of the commonwealth for such information as may be needed in the course of making such audits. The state auditor may employ such auditors, accountants and other assistants as he deems necessary for carrying out his duties under this section, and chapter thirty-one of the General Laws and the rules made thereunder shall not apply to such employees."

Audit of the Metropolitan Transit Authority was initiated on September 7, 1949, and it is expected that a report of that audit will be available during the 1950 session of the General Court.

Public Credit: For several years various individual audit reports and the annual report of the Department of the State Auditor have called attention to the fact that a more extended or direct use of the credit of the Commonwealth, in the borrowing of money to finance undertakings in which the Commonwealth or a substantial section of the Commonwealth is financially interested, would result in large savings in interest payments.

The Mystic River Bridge Authority is a public agency, created under Chapter 562 of the Acts of 1946; however, the same act specifies that public credit is not involved in the Authority borrowings. Bonds totalling \$27,000,000 issued by the Authority valued at \$1,000.00 were sold at discount for \$995.00 and will yield interest to the investor at a rate of 2.9%. By comparison the State Treasurer almost simultaneously borrowed money with public credit and bonds valued at \$1,000.00 were sold for \$1,015.10 yielding interest at the rate of 1.35% per year.

Under existing housing statutes, local housing authorities will issue their own bonds; but, in the final analysis, all such borrowings are a direct responsibility of the Commonwealth. Despite the common credit involved, there will undoubtedly be variations between the individual issues of the various local authorities which can be avoided and at substantial savings should these borrowings be accomplished under the name and direct credit of the Commonwealth.

The School Buildings Assistance program will involve a partial obligation of the Commonwealth in bonds issued for erection of school buildings. The Commonwealth's backing or underwriting should be directly stated to take advantage of the excellent state credit.

General: Individual copies of audit reports for all State activities have been submitted to His Excellency the Governor, the Speaker of the House, the President of the Senate, the Chairman of the Commission on Administration and Finance, the Comptroller, and the State Librarian. Copies also have been forwarded to the administrative head of each institution or agency concerned, the chaplains, medical boards and trustees of the institutions, and the commissioner of each department.

Summary of Audits Completed: The following listed audits have been made since my last report to the legislature:

Schedule of Audits Completed—Fiscal Year 1948-1949

| Department of Institution | From | To | Report No. |
|--|----------------|----------------|------------|
| GOVERNOR AND COUNCIL: | | | |
| Alcoholic Beverages Control Commission | Apr. 1, 1948 | June 20, 1949 | 2601 |
| Armory Commission | July 1, 1947 | Sept. 7, 1948 | 3519 |
| Art Commission for the Commonwealth | Dec. 18, 1947 | June 3, 1949 | 2573 |
| Ballot Law Commission | Dec. 16, 1947 | June 2, 1949 | 2574 |
| Commission on Administration and Finance | July 1, 1947 | June 30, 1948 | 2542 |
| Commission on Uniform State Laws | Dec. 16, 1947 | June 3, 1949 | 2572 |
| Commissioner of Veterans' Services | Feb. 28, 1948 | Dec. 28, 1948 | 2547 |
| State Housing Board | Jan. 2, 1948 | Aug. 31, 1948 | 2512 |
| Massachusetts Aeronautics Commission | Sept. 5, 1947 | Mar. 21, 1949 | 2570 |
| Massachusetts Fair Employment Practice Commission | Mar. 10, 1948 | Jan. 21, 1949 | 2540 |
| Military Division of the Executive Department | June 1, 1947 | Sept. 8, 1948 | 2517 |
| Military Reservation Commission | July 1, 1947 | Sept. 7, 1948 | 2520 |
| Milk Regulation Board | Sept. 8, 1947 | Nov. 4, 1948 | 2513 |
| New Bedford, Woods Hole, Martha's Vineyard and Nantucket Steamship Authority | July 1, 1948 | Mar. 31, 1949 | 2577 |
| Outdoor Advertising Authority | July 31, 1947 | Oct. 1, 1948 | 2508 |
| Port of Boston Authority | Aug. 11, 1947 | Aug. 2, 1948 | 2504 |
| Public Bequest Commission | Dec. 17, 1947 | June 2, 1949 | 2575 |
| Soldiers' Home in Massachusetts | Aug. 14, 1947 | July 15, 1948 | 2495 |
| State Library | Dec. 15, 1947 | June 6, 1949 | 2578 |
| State Planning Board | June 22, 1948 | Jan. 11, 1949 | 2536 |
| State Racing Commission | Apr. 13, 1948 | Nov. 16, 1948 | 2523 |
| State Superintendent of Buildings | Sept. 9, 1947 | July 1, 1948 | 2493 |
| SECRETARY OF THE COMMONWEALTH: | | | |
| Commission on Interstate Co-operation | July 1, 1947 | July 21, 1948 | 2490 |
| | Sept. 8, 1947 | June 10, 1949 | 2582 |
| TREASURER AND RECEIVER GENERAL: | | | |
| Emergency Finance Board | Oct. 1, 1947 | Jan. 19, 1949 | 2554 |
| Massachusetts Public Buildings Commission | Dec. 12, 1947 | June 16, 1949 | 2586 |
| State Board of Retirement | Nov. 24, 1947 | Aug. 11, 1948 | 2502 |
| | Jan. 1, 1948 | Dec. 31, 1949 | 2613 |
| ATTORNEY GENERAL | | | |
| | Sept. 2, 1947 | July 7, 1948 | 2492 |
| DEPARTMENT OF AGRICULTURE: | | | |
| General Department | July 1, 1947 | Sept. 14, 1948 | 2510 |
| Division of Livestock Disease Control | Sept. 9, 1947 | Nov. 4, 1948 | 2514 |
| Division of Milk Control | Feb. 17, 1948 | Sept. 27, 1948 | 2551 |
| DEPARTMENT OF BANKING AND INSURANCE: | | | |
| Division of Banks | Nov. 10, 1947 | Nov. 22, 1948 | 2555 |
| Division of Insurance | Oct. 23, 1947 | May 25, 1949 | 2600 |
| Division of Savings Bank Life Insurance | Sept. 16, 1947 | Sept. 20, 1948 | 2522 |
| Supervisor of Loan Agencies | June 22, 1948 | Mar. 10, 1949 | 2548 |
| DEPARTMENT OF CIVIL SERVICE AND REGISTRATION: | | | |
| General Department | Mar. 22, 1948 | Jan. 26, 1949 | 2592 |
| Architects, Board of Registration of | Sept. 8, 1947 | Aug. 10, 1948 | 2494 |
| Barbers, Board of Registration of | Apr. 22, 1948 | May 9, 1949 | 2587 |
| Certified Public Accountants, Board of Registration of | Apr. 12, 1948 | Jan. 12, 1949 | 2538 |
| Chiroprody, Board of Registration in | Apr. 12, 1948 | June 24, 1949 | 2593 |
| Dental Examiners, Board of Registration in | May 5, 1948 | June 24, 1949 | 2591 |
| Electricians, State Examiners of | Apr. 1, 1948 | Apr. 13, 1949 | 2567 |
| Embalming and Funeral Directing, Board of Registration in | Apr. 20, 1948 | June 20, 1949 | 2589 |
| Hairdressers, Board of Registration of | Sept. 17, 1947 | Sept. 3, 1948 | 2511 |
| Medicine and Nursing, Boards of Registration in | Jan. 8, 1948 | Dec. 15, 1948 | 2535 |
| Optometry, Board of Registration in | Dec. 29, 1948 | Mar. 16, 1949 | 2550 |
| Pharmacy, Board of Registration in | Mar. 16, 1948 | Mar. 22, 1949 | 2558 |
| Plumbers, Board of State Examiners of | Dec. 29, 1947 | Apr. 5, 1949 | 2562 |
| Professional Engineers & Land Surveyors, Board of Registration of | May 10, 1948 | Jan. 7, 1949 | 2541 |
| Veterinary Medicine, Board of Registration in | Apr. 15, 1948 | June 24, 1949 | 2594 |
| CLERK OF THE SUPREME JUDICIAL COURT OF THE COMMONWEALTH | | | |
| | Dec. 19, 1947 | June 7, 1949 | 2581 |
| DEPARTMENT OF CONSERVATION: | | | |
| Fisheries and Game, Division of | May 3, 1948 | May 3, 1949 | 2597 |
| | May 3, 1948 | May 3, 1949 | 2610 |
| DEPARTMENT OF CORPORATIONS AND TAXATION: | | | |
| General Department | Dec. 1, 1947 | Nov. 30, 1948 | 2595 |
| Appellate Tax Board | Dec. 8, 1947 | May 4, 1949 | 2576 |
| Division of Accounts | Jan. 6, 1948 | Nov. 22, 1948 | 2518 |
| DEPARTMENT OF CORRECTION: | | | |
| General Department | May 20, 1948 | Jan. 3, 1949 | 2590 |
| Massachusetts Reformatory | May 6, 1948 | Mar. 8, 1949 | 2564 |
| Reformatory for Women | Dec. 1, 1947 | May 9, 1949 | 2602 |
| State Farm at Bridgewater | July 1, 1947 | July 21, 1948 | 2497 |
| State Prison | Jan. 27, 1948 | Sept. 21, 1948 | 2516 |
| State Prison Colony | Apr. 1, 1948 | May 2, 1949 | 2606 |

| <i>Department or Institution</i> | <i>From</i> | <i>To</i> | <i>Report No.</i> |
|---|---------------------|----------------------|-------------------|
| DEPARTMENT OF EDUCATION: | | | |
| General Department | May 12, 1948 | June 1, 1949 | 2604 |
| Teachers' Retirement Board | Jan. 1, 1948 | Dec. 31, 1948 | 2556 |
| Division of the Blind | Nov. 24, 1947 | Aug. 24, 1948 | 2533 |
| Massachusetts Maritime Academy | June 7, 1948 | June 1, 1949 | 2612 |
| State Teachers College at Bridgewater | Dec. 8, 1947 | July 1, 1948 | 2507 |
| State Teachers College at Fitchburg | Jan. 12, 1948 | Dec. 6, 1948 | 2528 |
| State Teachers College at Framingham | Aug. 19, 1947 | Oct. 15, 1948 | 2524 |
| State Teachers College at Lowell | Sept. 2, 1947 | Sept. 16, 1948 | 2496 |
| State Teachers College at North Adams | June 1, 1948 | June 20, 1949 | 2598 |
| State Teachers College at Salem | June 7, 1948 | Jan. 10, 1949 | 2537 |
| State Teachers College at Westfield | May 12, 1948 | June 2, 1949 | 2585 |
| State Teachers College at Worcester | Sept. 22, 1947 | Aug. 16, 1948 | 2498 |
| Massachusetts School of Art | Sept. 2, 1947 | June 14, 1949 | 2611 |
| University of Massachusetts | Mar. 8, 1948 | Sept. 30, 1948 | 2557 |
| University of Massachusetts at Fort Devens | June 14, 1948 | May 2, 1949 | 2579 |
| Bradford Durfee Technical Institute of Fall River | July 28, 1947 | Apr. 4, 1949 | 2571 |
| Lowell Textile Institute | Aug. 5, 1947 | July 6, 1948 | 2506 |
| New Bedford Textile School | Aug. 11, 1947 | Feb. 11, 1949 | 2560 |
| School Buildings Assistance Commission | July 1, 1948 | June 30, 1949 | 2609 |
| INDUSTRIAL ACCIDENT BOARD | Oct. 3, 1947 | Nov. 16, 1948 | 2532 |
| DEPARTMENT OF LABOR AND INDUSTRIES: | | | |
| General Department | June 1, 1948 | Mar. 28, 1949 | 2559 |
| Labor Relations Commission | Sept. 2, 1947 | June 13, 1949 | 2584 |
| Division of Employment Security | Oct. 9, 1947 | Feb. 7, 1949 | 2566 |
| LEGISLATURE: | | | |
| Sergeant-at-Arms | Dec. 6, 1947 | Mar. 8, 1949 | 2561 |
| DEPARTMENT OF MENTAL HEALTH: | | | |
| General Department | Sept. 5, 1947 | July 1, 1948 | 2503 |
| Belchertown State School | Feb. 16, 1948 | Mar. 1, 1949 | 2568 |
| Boston Psychopathic Hospital | Dec. 22, 1947 | Feb. 8, 1949 | 2553 |
| Boston State Hospital | May 19, 1948 | Mar. 30, 1949 | 2569 |
| Danvers State Hospital | Oct. 21, 1947 | Nov. 29, 1948 | 2543 |
| Foxborough State Hospital | Oct. 1, 1947 | Oct. 28, 1948 | 2526 |
| Gardner State Hospital | Nov. 18, 1947 | Aug. 23, 1948 | 2500 |
| Grafton State Hospital | July 22, 1947 | July 6, 1948 | 2499 |
| Medfield State Hospital | Mar. 5, 1948 | May 25, 1949 | 2596 |
| Metropolitan State Hospital | Dec. 26, 1948 | May 11, 1949 | 2580 |
| Monson State Hospital | July 1, 1947 | Sept. 1, 1948 | 2544 |
| Myles Standish, Division of | Jan. 30, 1948 | Nov. 16, 1948 | 2529 |
| Northampton State Hospital | Jan. 13, 1947 | July 6, 1948 | 2501 |
| Taunton State Hospital | Dec. 23, 1947 | Dec. 27, 1948 | 2546 |
| Walter E. Fernald State School | Sept. 16, 1947 | Oct. 14, 1948 | 2515 |
| Westborough State Hospital | Apr. 5, 1948 | Feb. 23, 1949 | 2599 |
| Worcester State Hospital | May 4, 1948 | Jan. 10, 1949 | 2563 |
| Wrentham State School | Mar. 1, 1948 | Feb. 1, 1949 | 2552 |
| METROPOLITAN DISTRICT COMMISSION | July 8, 1947 | July 1, 1948 | 2539 |
| DEPARTMENT OF PUBLIC HEALTH: | | | |
| General Department | July 7, 1947 | July 23, 1948 | 2491 |
| Lakeville State Sanatorium | Oct. 23, 1947 | Oct. 15, 1948 | 2525 |
| North Reading State Sanatorium | Dec. 1, 1947 | Dec. 2, 1948 | 2527 |
| Rutland State Sanatorium | Sept. 29, 1947 | Nov. 1, 1948 | 2521 |
| Westfield State Sanatorium | Apr. 5, 1948 | May 2, 1949 | 2588 |
| Pondville State Hospital | Apr. 9, 1948 | June 1, 1949 | 2603 |
| DEPARTMENT OF PUBLIC SAFETY | Apr. 7, 1948 | Jan. 25, 1949 | 2545 |
| DEPARTMENT OF PUBLIC UTILITIES | Aug. 5, 1947 | Sept. 7, 1948 | 2505 |
| DEPARTMENT OF PUBLIC WELFARE: | | | |
| General Department | Jan. 2, 1948 | Nov. 22, 1948 | 2549 |
| Division of Juvenile Training | Apr. 6, 1948 | Nov. 29, 1948 | 2530 |
| Industrial School for Boys | Jan. 26, 1948 | Mar. 28, 1949 | 2565 |
| Industrial School for Girls | Mar. 1, 1948 | Dec. 21, 1948 | 2534 |
| Lyman School for Boys | July 7, 1947 | Oct. 13, 1948 | 2509 |
| Massachusetts Hospital School | Apr. 7, 1948 | Mar. 15, 1949 | 2608 |
| Tewksbury State Hospital and Infirmary | Mar. 3, 1948 | Mar. 21, 1949 | 2605 |
| DEPARTMENT OF PUBLIC WORKS: | | | |
| General Department | Feb. 2, 1948 | Mar. 15, 1949 | 2607 |
| Registry of Motor Vehicles | Apr. 15, 1948 | Oct. 26, 1948 | 2531 |
| State Airport Management Board | July 1, 1948 | Apr. 25, 1949 | 2583 |

Comments: The following comments, exceptions and recommendations have appeared in audit reports issued during the 1948-1949 fiscal year and have been listed in the same sequence as the Schedule of Audits Completed — Fiscal Year 1948-1949.

GOVERNOR AND COUNCIL

ALCOHOLIC BEVERAGES CONTROL COMMISSION REPORT NO. 2601

Deficiency Appropriation: A travel advance dated June 28, 1946, which was reported as not having been paid in the last audit report, was paid in this period under Chapter 669, Acts of 1948.

Inventory of Seized or Purchased Liquor: It was noted that there was a change since the last audit in the procedure of recording inventories of seized or purchased liquor. Now these liquors are not posted to the inventory records until they are to be destroyed. It is suggested that the Commissioner return to the previous system which controls liquor from the time it is received at the office.

COMMISSION ON ADMINISTRATION AND FINANCE REPORT NO. 2542

For many years the financial accounts of the Commonwealth were maintained on a cash basis and the total of each appropriation approved by the General Court was made directly available to the spending agency. During recent years there has been added, first; an allotment system, and second; an encumbrance system, both ostensibly designed to maintain greater financial control. In actual practice neither has served this purpose and the allotment system particularly has established a bureaucratic control which has hampered the operations of every agency of state government and has, in reality, permitted the Commission on Administration and Finance to invade the administrative functions of every state agency. Both the allotment and encumbrance systems have added immeasurably and unnecessarily to procedures surrounding the financial operations of the State Government without providing improvement to basic financial controls.

It would seem that in so extending the financial controls of the Commission on Administration and Finance, the most important duties of the Comptroller's Bureau in its relation to other state agencies has been lost sight of. Fundamentally, the Comptroller's Bureau is responsible, first; to see that all expenditures made by the various state agencies are in accord with the purposes of the appropriations as granted by the General Court, and second; to halt overdrafts.

While controls similar to those provided by the allotment and encumbrance systems are essential to the maintenance of the accounts of private industry, they are not necessary to the comparatively simple control of state funds which is the proper function of the Comptroller's Bureau to provide. In simplest terms, appropriations represent only a checkbook balance from which expenditures can be made until such a balance is exhausted. It is the duty of a good executive to see that such funds are discreetly administered — that they are not overspent — and that they last until new appropriations are granted. The added procedures of allotments and encumbrances are no substitute for efficient administration. State appropriations for many years were carried under this simple system and on the broad premise that competent officials were administering these appropriations. During that time deficiencies were few and far between for department heads were acutely aware of the consequences resulting therefrom. Since the adoption of the allotment and encumbrance systems, deficiencies have been accepted as a matter of course; for example, on April 15, 1947, it was necessary for the General Court to approve deficiency appropriations in 64 items affecting 29 agencies of the Commonwealth. On June 19, 1948, the General Court approved deficiency appropriations on 35 items affecting 15 agencies of the Commonwealth. As of December 3, 1948, during the course of the current audit, there were 18 deficiency items totalling \$26,388.02 applicable to the 1948 and previous fiscal years on file in the Comptroller's Bureau which will require legislative relief.

Maintenance of the allotment and encumbrance systems has added substantially to the costs of the Comptroller's Bureau and also has added proportionately to the accounting costs of every agency of the Commonwealth. The added frills of these two systems have only complicated an otherwise fundamentally simple system of accounts and it has been demonstrated that deficiencies have increased while the passing of bills for payment has been retarded by the extra work involved in the maintenance of allotments and the processing of encumbrances.

Allotment System: Chapter 29 of the Tercentenary Edition of the General Laws was amended in 1941 by the insertion of Section 9B which provides that the Governor shall divide each fiscal year into allotment periods and that he shall allot to each agency of government an amount which may be expended during the allotment period. It was obviously the original intention of the proponents of this legislation that through the provisions of this section, the executive branch of the government would be enabled to withhold from a spending agency a part of any appropriation made by the General Court.

It is a fundamental principle included in the constitution of the Commonwealth that appropriations shall originate only in the General Court, and it is questionable whether or not the General Court has the power to delegate this authority (to withhold appropriations) to the executive branch of government.

Recently the Commissioner of Administration requested the following opinion from the Attorney General:

"The Commission on Administration and Finance, in behalf of what it believes to be in the interest of good administration of the fiscal affairs of the Commonwealth, is considering the recommendation to the Governor that he should permit the Budget Commissioner to issue a temporary certificate of the sufficiency of funds in an appropriation account to cover payments from funds appropriated under that account, where the allotment, which is made by the Budget Commissioner, approved by the Commission on Administration and Finance, with final approval by the Governor, may be delayed through the absence of certifying officials and fails to provide funds, though appropriated but unallotted, for the payment of obligations incurred by the Commonwealth.

"As cited in the enclosed letter, we have found oftentimes a very small amount needed in order to clear a complete total expenditure, but which has not been allotted through the proper authority, though the unexpended balance in the appropriation is available for allotment and expenditure.

"We would ask you whether, in the exercise of the administrative authority of the Governor, and with the application of Sections 26 and 29 of Chapter 29 of the General Laws, as amended, such temporary certificates can be authorized by His Excellency, the Governor, to be issued by the Budget Commissioner, pending confirmation and approval of that temporary certificate by later authorization and action by the Commission and the Governor."

The Attorney General in his reply indicated that the Commission did not have the authority to make such allotments. As a result, the Commissioner has filed with the Legislature House Bill No. 8, which would provide the Commission with the authority necessary to approve allotments in sums not exceeding one thousand dollars. As stated before in this report, the Department of the State Auditor questions the power of the executive branch of the government to exercise the provisions of Section 9B of Chapter 29, and the further extension of this power to appointive officials is even more seriously questioned.

For years the Commission on Administration and Finance has attempted to make this inoperable system function efficiently and rather than further tinkering with the provisions of Section 9B, the Commission should admit the utter futility of the statute and seek complete repeal.

Encumbrance System: Chapter 636 of the Acts of 1947 revised Section 29 of Chapter 29 of the Tercentenary Edition of the General Laws to read in part as follows:

"... The comptroller shall refuse to permit a disbursement or the incurring of an obligation if funds, under an item of appropriation, or under any allotment or subsidiary account pertaining to such item of appropriation, sufficient to cover such disbursement or obligation are not available..."

Previous to the enactment of this amendment, maintenance of the encumbrance system was optional with the Commission on Administration and Finance. This amendment makes it mandatory that such a system shall be maintained, but it places an entirely unfair and illogical responsibility upon the Comptroller. Fundamental responsibility for the proper control and maintenance of an appropriation rests with the department head, and while legislation has been enacted which makes the department head responsible for overdrafts, there is no penalty invoked by the statute should the department head fail to meet this obligation. This section should be repealed or amended to the extent that the Comptroller shall be relieved of this responsibility, for good administration dictates that a department head should be completely responsible for the entire administration of his agency.

The Department of the State Auditor recognizes the fact that in the larger agencies of the state government it is imperative that anticipated expenditures be encumbered upon the records of the agency concerned, but in view of the fundamental responsibilities of the Comptroller's Bureau (which are limited, as previously stated in this report to, first; to see that items of expenditures are in accordance with the terms of the appropriating act, and second; to prevent overdrafts), it is obvious that the maintenance of the Comptroller's books on an encumbrance basis is not essential nor even practical. The basic responsibility of the Comptroller's Bureau can be met adequately, efficiently, and economically if the books are maintained on a cash basis and substantial savings can be made and the process of payment of bills would be greatly expedited should these recommendations be adopted.

It is recommended that Section 29 of Chapter 29 be revised to the end that the Comptroller shall only be responsible for actual disbursements and that the department head of each state agency shall be required, subject to penalty, not to incur any obligation which shall be in excess of appropriations granted by the General Court. If these recommendations are adopted, continuance of the encumbrance system will become optional with the Commission on Administration and Finance and should the allotment system be discontinued, it is suggested that the present system of encumbrances be continued on a trial basis for one fiscal year, unhampered by the completely unessential red tape of allotments.

COMMISSIONER OF VETERANS' SERVICES REPORT No. 2547

Spanish American War Reimbursement Fund: From an examination of the accounts affecting this fund, it is apparent that a separate cash book should be installed for the purpose of segregating this fund from State cash. It is understood the Comptroller's Bureau will effect the necessary changes within a short time.

STATE HOUSING BOARD REPORT No. 2512

General: It is a commonly accepted belief that the State Housing Board supervises all construction under both Chapter 372 and Chapter 200. This is not entirely correct, for while control of projects under Chapter 372 is under the direction of the full Board, administration of Chapter 200 has been confined exclusively to the direction of the Chairman of the Board.

Under Chapter 372, any financial risks involved in supplying housing, lie entirely with the city or town concerned; under Chapter 200 all financing arises from State-backed bond issues, and projects will also be subsidized by payments from the Veterans' Fund.

Under Chapter 372 more than 4,200 units for temporary housing have been provided. In addition, sixteen projects have already provided 578 housing units with another 855 units under construction and provision has been made for 598 additional units.

Under Chapter 200, no construction had been initiated as of date of audit, but it was understood that some construction already underway would be switched to Chapter 200, which step would be to the advantage of the city or town concerned.

Financing: Although bonds issued for construction of housing units have the advantage of the financial backing of the Commonwealth, each local housing authority will issue its own bonds. It is anticipated that the interest rates on these issues will vary, despite the common State guarantee, and that the rate will be higher than the rate of interest paid on regular State bonds. This will place an additional burden upon the entire program and it is recommended that the chairman seek amendment to the present statute to provide that all bond issues shall be made in the name of the Commonwealth.

Veterans' Fund: Under present construction costs, rentals to maintain the financing of these projects would be beyond the ability of the average veteran to pay. Chapter 200 provides for a subsidy up to $2\frac{1}{2}\%$ per year to be paid from the Veterans' Fund. In view of the fact that \$200,000,000.00 in construction has been authorized, this subsidy can amount to \$5,000,000.00 per year.

Attention is now directed to the fact that unless present corporation taxes, from which a substantial portion of the income of the Veterans' Fund is received and which expire in 1950, are extended beyond that year, the Veterans' Fund, in consideration of its bonded obligations and the other activities which it maintains, will not be able to provide these subsidies.

Personnel: Under Chapter 260 of the acts of 1948, the State Board of Housing was abolished and the State Housing Board created and the Chairman of the new board was authorized to appoint such experts, counsel, clerks and assistants as the work of the board would require, and to make such other expenditures as would be necessary.

On date of audit, the State Housing Board had been authorized 143 positions, of which 107 were filled.

Bookkeeping: It was noted that the general ledger had not been set up for the current fiscal year and monthly financial reports had not been compiled.

Income - Lowell Homestead Development: The Legislature in 1917 authorized an appropriation of \$50,000.00 for the building of homes by the Homestead Commission. Twelve homes were built by the Commission in Lowell, known as the Lowell Homestead, on which the Commonwealth took back mortgages.

Interest on these mortgages and reductions of principal payments have been accounted for on the books of the State Board of Housing. As of June 30, 1948, the last of these mortgages was liquidated, thus completing the Commonwealth's part in the Lowell Homestead Development.

MASSACHUSETTS AERONAUTICS COMMISSION REPORT No. 2570

Unrecorded Receipts: The total receipts account of income which were recorded in the cash book totaled \$35,335.46.

The amount as determined by the audit was \$38,720.23. The bookkeeping difference of \$3,384.77 was traced and was found to have been properly deposited with the State Treasurer.

State Airport Management Board: During the current audit period the State Airport Management Board took control of the Bedford Airport in accordance with Chapter 637 of the Acts of 1948.

As of August 1, 1948, the outstanding accounts receivable balance of \$2,963.85 and the balance of the petty cash advance of \$180.10 was transferred to the State Airport Management Board.

It is recommended that the Comptroller's Bureau forward the necessary entries to the Massachusetts Aeronautics Commission so that the transfer may be properly reported.

Reimbursement to Cities and Towns for Airport Construction Projects: During the current audit period funds were expended from special appropriations for construction work at various municipal airports within the Commonwealth. The

Federal Government, the Commonwealth and the various municipalities concerned, participated in the program for airport construction projects in the approximate ratio of 50%, 25% and 25% respectively.

All contracts awarded under this program are approved by the Massachusetts Public Buildings Commission and the Massachusetts Aeronautics Commission. The progress of the work is checked by engineers of the latter agency.

Invoices are presented to the Massachusetts Aeronautics Commission by the municipalities for reimbursement. During the current audit period, State expenditures under the special appropriations for these projects totaled \$120,366.08.

Checks are sent by the Federal Government payable to the Massachusetts Aeronautics Commission as agent for the municipalities concerned.

The Commission deposits these checks in its own bank account and almost immediately draws checks on this account payable to the several municipal airports where work is being performed under the program.

Apparently the amounts awarded by the Federal Government under this program are not controlled by the Commonwealth to any extent.

MILITARY DIVISION OF THE EXECUTIVE DEPARTMENT REPORT No. 2517

Rifle Range at Camp Curtis Guild - Purchase of Land for Rifle Range: Chapter 291 of the Acts of 1925 provides for a State Rifle Range and establishes a basis for fees to be charged. The chapter reads in part as follows:

"The state quartermaster, with the approval of the adjutant general, shall establish a system of fees sufficient to provide for the entire cost of maintaining said range plus five per cent per annum on the investment of the Commonwealth therein, and shall file drafts of such further legislation, if any, as may be necessary for this purpose with the clerk of the house of representatives not later than December first of the current year and at the same time file copies thereof with the budget commissioner."

The records of the Armory Commission show that on February 16, 1926, the Commissioners voted to award for damages the following amount:

| | |
|--|-------------|
| The Woburn National Bank | \$ 7,663.75 |
| The Bay State Military Rifle Association, Inc. | 57,336.25 |
| | <hr/> |
| | \$65,000.00 |

It was noted that for the 1948 fiscal year the provisions of Chapter 291 of the Acts of 1925 were not met as is indicated by Schedule No. X in this report which shows an operating loss of 15.69% for the 1948 fiscal year.

Parking Permit—State Land Adjoining the Commonwealth Armory: Chapter 627 of the Acts of 1947 authorized the Adjutant General, with the approval of the Governor — Commander-in-Chief — to permit the use, for motor vehicle purposes, at certain times, of the state land adjoining the Commonwealth Armory in the City of Boston.

A permit was issued to Commonwealth Avenue Parking, Inc., for \$2,000.00 per annum, with option of renewal. The permit was signed by the Adjutant General and approved by the Lieutenant-Governor, acting for the Governor.

On July 8, 1948, the date of termination of the permit for the first year, item No. 13 of the permit was changed by adding 19 days usage which included days not covered in the original permit. For the 19 additional days usage, the permittee paid \$25.00 per day, or an additional \$475.00.

It is understood that a new permit has been signed which calls for a payment of \$30.00 per day for each day of usage. At the date of the audit, the permit was in the office of the Governor for his approval.

It would appear that the Commonwealth would benefit by issuing this permit to the highest bidder after competitive bidding.

During the period covered by the audit, the reimbursement for electricity used by the permittee was made to the Armorer on the basis of his estimate of the

amount of electricity used. He made the payment to the Electric Company and the Division was credited for the amount paid, the credit to apply on the monthly electric bill of the Commonwealth Armory.

This method of handling is not in keeping with proper accounting procedure as set forth by the Comptroller's Bureau. The Armorer should forward a report monthly to the Military Division, stating the amount of electricity used. The permittee should be billed monthly and should make payment to the Division.

Federal Participation Contracts: Service contracts between the Federal Government and the Commonwealth of Massachusetts, whereby the Commonwealth is reimbursed 75% of operating costs of certain installations, are as follows:

| CONTRACT NO. | LOCATION | AMOUNT TO BE REIMBURSED TO COMMONWEALTH BY GOVERNMENT |
|----------------|--|--|
| W19-093-NG-10 | Aviation Armory, Logan Airport, East Boston | \$18,000.00 |
| W19-093-NG-11 | Commonwealth Armory, 925 Commonwealth Ave., Boston (151st Aircraft Control and Warning Group) | 3,750.00 |
| W19-093-NG-16 | Commonwealth Depot and Motor Park, Speen Street, Natick | 30,000.00 |
| W19-093-NG-17* | Barnes Airport, Westfield | 18,000.00 |
| W19-093-NG-18* | Commonwealth Maintenance Depot, Whittemore Maintenance Center, Ayer, Mass. | 15,000.00 |

* Contracts had not been completed September 7, 1948.

Accounts Receivable—Federal Participation: Two charges totalling \$2,356.08 did not appear in the accounts receivable ledger as of September 7, 1948. The bills were held in the office pending advice of Federal auditors.

It is suggested that all charges be entered and bills be sent out when the amount due is determined.

Accounts Receivable—State Quartermaster: A balance of \$43,634.04 due from the Reconstruction Finance Corporation War Assets Administration on July 1, 1947, was settled for \$42,038.96 by the Attorney General. Permission should be obtained from the office of the Attorney General to write off the balance of this account.

Balance in Hurricane and Flood Relief Appropriation: A balance of \$250.00 is still being carried in this account on the books of the Division. The balance is unchanged since July 1, 1944, and should be closed out.

OUTDOOR ADVERTISING AUTHORITY REPORT No. 2508

Bookkeeping—General: The present cash book is to be abolished by the Comptroller and a better system installed. There are at present many entries in the general ledger and cash book made in lead pencil and neither the cash book nor the general ledger are properly ruled off or balanced. The general ledger was not current.

Records of Board Meetings: Records of the following meetings of the Authority do not appear in the files:

| | | | |
|----------|---------|------------------|----------|
| August | 6, 1947 | February | 12, 1948 |
| October | 8, 1947 | March 18 and 23, | 1948 |
| November | 5, 1947 | April | 7, 1948 |

Records of attendance as shown in the office diary and the minutes of the meetings do not agree in the following instances:

| Date | Board Members | At Meeting Minutes | According to Diary |
|------------------|---------------|-----------------------|-----------------------|
| October 9, 1947 | Mr. Adams | Yes | No |
| October 16, 1947 | Mr. Naylor | No | Yes |
| February 5, 1948 | Mr. Watts | Yes | No |
| March 10, 1948 | Mr. Watts | No | Yes |

It is suggested that this important record should be maintained properly.

PORT OF BOSTON AUTHORITY REPORT No. 2504

Expense Accounts: The last audit report covered in substantial detail expenditures made by the Port Authority which had been properly vouched and many items of questionable propriety. It was noted in that same report that the Port Authority had been given wide latitude by statute, which ostensibly covered these expenditures. It was suggested in the previous report—

“ . . . the Commissioners exercise more restraint and install more thorough supervision over expenditures particularly in the matter of travel vouchers.”

No improvement in this matter was noted during the current audit.

Authorization for and Status of Bond Issues: Section 10 of Chapter 619 of the Acts of 1945 provides in part as follows:

“Section 10. Subject to the conditions herein imposed for the purpose of purchasing sites and pier locations and for the construction thereon of pier facilities under authority of chapter ninety-one A of the General Laws, inserted therein by section three of this act, the state treasurer shall, upon request of the Authority and with approval of the governor and council, issue and sell at public or private sale bonds of the commonwealth, registered or with interest coupons attached, as he may deem best, to an amount to be specified by the Authority from time to time, but not exceeding, in the aggregate, the sum of fifteen million dollars. . . .”

Status of bonds authorized under this statute follows:

| | | |
|--|----------------|-----------------|
| Amount authorized (St. 1945, Ch. 619, Sec. 10) | | \$15,000,000.00 |
| Bonds Authorized: | | |
| Hoosac Pier and Grain Elevator Property | | |
| Bonds Issued | \$3,600,000.00 | |
| Bonds Not Issued | 1,400,000.00 | \$5,000,000.00 |
| Bonds Authorized: | | |
| Not Issued: | | |
| Boston & Albany Piers, East Boston (St. 1948, Ch. 545) | 7,500,000.00 | |
| Castle Island Terminal (St. 1948, Ch. 625) | 1,200,000.00 | |
| Transfer to Boston Harbor Terminal Facilities Loan (St. 1947, Ch. 532) | 1,300,000.00 | \$15,000,000.00 |

Taxes: As the operations of the Port Authority are enlarged, there is an increasing substantial loss to the City of Boston in real estate taxes. As an example, on November 1, 1946, the City of Boston collected \$82,126.60 for the last full year that the Hoosac Pier was privately owned and has since received nothing under state ownership of the pier. The consequences of continued expansion in State holdings along the waterfront and continued loss of this revenue by the City of Boston cannot be ignored. There is no logical reason why the City of Boston should bear a major part of the cost of subsidization of the port, since the expansion of these facilities has been continuously described as contributing to the entire Commonwealth.

Hoosac Pier: Chapter 619 of the Acts of 1945 also places the following limitations upon expenditures from funds provided by borrowing:

“ . . . no construction, to be paid for from the proceeds of the bond issue hereby authorized, shall be done unless the Authority shall have first executed a written contract, approved by the governor, with a responsible party providing for the lease of said property, the minimum requirements of which shall be at a rate sufficient to amortize sixty per cent of the actual cost to the commonwealth of the facilities included in the lease, over a period not to exceed twenty years, which contract may provide that at the expiration of the term of the lease it may, at the option of the lessee, be renewed for a further period of twenty years

and provided, further, that no expenditure or commitment from the proceeds of said bond issue in excess of five million dollars shall be made without further authorization by the general court therefor. . . ."

The Legislature in this section required a twenty-year lease of planned new construction before such construction is initiated. If such provisions are met by the Port Authority, recovery of at least sixty per cent of public funds so expended is assured and the section further acts as a curb on unrestrained and non-essential construction.

The Port Authority, ignoring the provisions of this section, has initiated construction of a new pier to replace the Hoosac Pier and has leased the new pier to a railroad for only five years.

Evidently there existed some doubt in the mind of the Port Authority as to the legality of this procedure, since on February 8, 1946, the Chairman of the Authority asked the Attorney General the following question:

"May construction to be paid for from the proceeds of a bond issue authorized by Section 10 of Chapter 619 of the Acts of 1945 entitled 'An Act abolishing the Boston Port Authority, and establishing, a Port of Boston Authority and defining its powers and duties', be done if the Port of Boston Authority shall have first executed a written contract, approved by the Governor, with a responsible party providing for the lease of said property for a term—for example, five years—shorter than twenty years and shorter than the maximum term of said bonds—for example, fifteen years—and at a rate sufficient to amortize sixty per cent of the actual cost to the Commonwealth, of the facilities included in said lease, over a period not exceeding twenty years?"

In his reply dated February 21, 1946, the Attorney General did not settle the question, but stated in part:

". . . While I am of opinion that said Chapter 619 does not require a lease entered into before beginning construction of a port improvement to be self-liquidating during its term, the possibility cannot be ignored that a different construction might be reached in the event of litigation."

Despite this ambiguous reply, the Port Authority on the strength of a five-year lease has committed public funds to the erection of the pier, and the situation today is further complicated by the fact that the lease signed with the railroad on April 17, 1947, states in part:

". . . In no event shall the Commonwealth be required to expend more than the sum of two million, six hundred thousand dollars for the cost of the pier facilities."

Hoosac Pier—Grain Elevator Property: The Port of Boston Authority entered into an agreement dated April, 1948 with the Boston and Maine Railroad, which provided that on May 17, 1948, the Commonwealth would pay to the railroad \$100,000.00 in return for "a good and sufficient quitclaim deed . . ." to the Grain Elevators operated in conjunction with Hoosac Pier.

Payment was made to the railroad on May 20, 1948. The Commonwealth acquired the property and a lease was signed May 20, 1948.

The Authority, as required by Section 10 of Chapter 619 of the Acts of 1945, forwarded the agreement with the railroad, to the Governor and Council and it was approved on May 12, 1948. The lease of the grain elevator was approved in Council June 30, 1948.

No exact amount of yearly rent can be established until the grain elevator is renovated and modernized and the exact cost known. The maximum amount allowed for construction is \$425,000.00, which added to the purchase price of the property of \$100,000.00 gives \$525,000.00 as an estimate of the cost upon which rentals will be based.

Expenditures and Encumbrances under Bond Issues: The State Treasurer in compliance with requests of the Authority has issued bonds totaling \$3,600,000.00 to June 30, 1948, in order to carry on the work at the Hoosac

Pier and Grain Elevator. A summary of the payments and encumbrances to June 30, 1948, under these items follows:

| | | | | |
|--|-----------------------|-----------------------|-----------------------|----------------|
| Amount Authorized | | | \$5,000,000.00 | |
| Less: | | | | |
| Authorized—Bonds not Issued | | | 1,400,000.00 | |
| Bond Issue | | | | \$3,600,000.00 |
| Payments and Liabilities: | | | | |
| Construction of Structure | \$ 40,064.56 | \$1,508,395.44 | \$1,548,460.00 | |
| Purchase of Hoosac Pier | 1,042,176.00 | — | 1,042,176.00 | |
| Excavation, Dredging and Filling | 298,174.48 | 70,675.52 | 368,850.00 | |
| Purchase of Grain Elevator | 100,000.00 | — | 100,000.00 | |
| Engineering Agreement for Design | 64,307.64 | 25,692.36 | 90,000.00 | |
| Personal Services | 37,726.13 | — | 37,726.13 | |
| Expenses | 21,619.65 | 164.29 | 21,783.94 | |
| Demolition and Removal of Grain | | | | |
| Conveyor, Gallery and Pier | 17,500.00 | — | 17,500.00 | |
| Test Borings | 2,957.86 | — | 2,957.86 | |
| | <u>\$1,624,526.32</u> | <u>\$1,604,927.61</u> | <u>\$3,229,453.93</u> | |
| Balance—Bond Issue | | | 370,546.07 | \$3,600,000.00 |

Purchase of Boston and Albany Piers—East Boston: Chapter 545 of the Acts of 1948 states in part as follows:

"Subject to the conditions imposed by section ten of chapter six hundred and nineteen of the acts of nineteen hundred and forty-five, the Port of Boston Authority is hereby authorized, for the purpose of purchasing sites and pier locations and the construction thereon of pier facilities under authority of chapter ninety-one A of the General Laws, to make commitments and expenditures, without further authorization by the general court therefor, from the proceeds of the bond issue provided for by said section ten up to but not in excess of the amount of seven million five hundred thousand dollars, such amount to be in addition to the amount heretofore authorized to be expended from said proceeds."

Preliminary discussions with railroad officials have been held and an appraisal of the property involved has been made. Actual construction will not be started until the work on the Hoosac Pier is completed.

It is recommended that the Port Authority comply with the provisions of Chapter 619 of the Acts of 1945 and in the case of this property, require a twenty-year lease before construction is initiated.

Excavation, Dredging and Filling Hoosac Pier #1: The contract for the above was awarded to Bay State Dredging and Construction Company, the only over-all bidder in the amount of \$248,850.00. Expenditures amounted to \$298,174.48 with unpaid claims of \$69,988.86 to make a total of \$368,163.34. The total is in excess of the original contract by approximately \$120,000.00 or more than 48% above the amount specified in the awarded contract.

There was considerable correspondence between the Authority and the contractor about the variations in the specifications and estimates with compromise figures being arrived at. Obviously there were numerous items that were greatly out of proportion to make up the excess charges.

The items mainly were as follows:

| | Quantity | | Estimate | Cost | Actual |
|---|----------|---------|---------------------|------|---------------------|
| | Estimate | Actual | | | |
| Pile Removal | 900 | 6,555 | \$ 5,900.00 | | \$ 62,485.00 |
| Dredging and Spoil (cubic yards) | 140,000 | 180,921 | 159,600.00 | | 206,250.00 |
| Borrow—(Material Brought in from outside) (Cubic Yards) | 6,000 | 24,911 | 6,000.00 | | 24,900.00 |
| | | | <u>\$171,500.00</u> | | <u>\$293,635.00</u> |

Consolidated Elevator Company: A contract was awarded to the above for "Servicing, Inspection and Repairs of the Elevators" in the amount of \$3,427.16. The final expenditures amounted to \$6,827.16, an increase of \$3,400.00 over the original award—1 (100%) and the additional expenditures were covered by "Extra Work Orders" approved by the Commissioners.

The reason set forth for the additional expenditures was an "Unforeseen Accident" to Elevator Number 2, requiring major repairs at an estimated cost of \$3,000.00 and repairing and adjusting on four other elevators in the amount of \$400.00.

It was noted that this probably was not "Extra Work" as is generally accepted for the expenditures were as much as in the original contract. While approved by the Commissioners and covered generally by an "Extra Work" article in the contract, it is felt that when the additional work reaches such proportions it should be handled as a new contract.

The Port Authority today estimates that this pier will cost \$738,090.34 more than the amount agreed upon in the lease, and in order to assure any tenancy at completion of construction, the Authority will now be compelled to seek revision of this lease.

Terminal Operators, Incorporated: On November 1, 1946, the Port Authority granted a permit to Terminal Operators, Inc., to operate the Castle Island Terminal for the handling of commercial cargoes.

Until June 30, 1948, under the terms of the lease the Port Authority was to receive 75% of the net income from operations of the terminal as rental.

Attention is directed to the fact that the terms of the lease state deductions from the gross income to arrive at the net income shall be "all actual disbursements". It was noted from the report submitted by Terminal Operators, Inc., that deductions had been made from gross income to provide reserves for maintenance and that these deductions totaled \$9,850.00. As of June 30, 1948, only \$3,174.63 had been actually disbursed against this reserve. In view of the fact that the lease requires Terminal Operators to maintain the leased premises, there can be no objection to the practice of setting up this reserve; but, since that lease expired on June 30, 1948, it seems that the Port Authority should be entitled to receive 75% of the amount remaining in the reserve as of that date.

The new contract signed with Terminal Operators, Inc., effective July 1, 1948, provides as follows:

Terminal Operators, Inc., to pay the Port Authority \$1,500.00 per month (base payments) and, in addition to make payments . . . after making deductions hereinafter provided for . . . equal to the percentages of net income, as hereinafter defined, of the Licensee from the use and operation of the premises for each full year in force . . .

53% of the amount of such net income not in excess of \$60,000.00

58% of the amount in excess of \$60,000.00 but not in excess of \$70,000.00

65% of the amount in excess of \$70,000.00 but not in excess of \$80,000.00

75% of the amount in excess of \$80,000.00

A comparison of the revenue received by the Port Authority and potential revenue accruing to it on account of the Castle Island Terminal with the expenses of maintaining that facility follows:

July 1, 1947 to June 30, 1948

| | |
|--|---------------------|
| Revenue Received (\$130,211.36 Terminal Operators, Inc. 2,364.73 Boston Tidewater Terminal) | \$132,576.09 |
| Potential Revenue—estimated on basis that outstanding accounts receivable will be collected ($18,025.96 \times 75\%$) | 13,519.47 |
| Balance due on receivables collected | 8,701.76 |
| | <u>\$154,797.32</u> |
| Expenses: | |
| Salaries: | |
| Guards | \$63,482.37 |
| Clerks | 12,254.89 |
| Cargo Surveyors | 6,234.75 |
| | <u>\$81,972.01</u> |
| Miscellaneous expenses, minor repairs, etc. | 4,980.70 |
| | <u>\$86,952.71</u> |

Accounts Receivable: The records of the Port Authority reflected an account receivable of \$17,812.59 due from the United States Navy Department. This amount represents charges for electricity from June 16, 1943 to June 15, 1945, in the total of \$50,437.15 plus an adjustment of charges for water and electricity for 1942 of \$5,269.85 less a payment on account received March 1, 1946, in the amount of \$37,894.41.

The Navy Department had occupied the Commonwealth Pier #5 under an agreement dated August 1, 1941, and the agreement was officially terminated (per notice of termination) as of December 31, 1945.

Investigation and analysis of the account showed the balance had been transferred from the Division of Waterways who had handled the accounting prior to the establishment of the Authority. In checking this matter with the Division of Waterways' records, it was found that the balance of \$17,812.59 had been referred to the United States Naval Central Disbursement Office, in Boston, who in turn have had to refer it to Washington, D. C., to a bureau handling delinquent accounts.

Further analysis indicated that a bill for rental of the pier for December, 1945, had not as yet been rendered. In addition, bills had not been submitted for water charges for the period from July 3, 1942 to December 31, 1945, and there should be a credit to the Navy Department for income received during the years 1944 and 1945.

The adjusted balance due should now be as follows:

| | |
|--|--------------------|
| Balance—as per Authority books, June 30, 1948 | \$17,812.59 |
| Rental Pier, December 1945 | 24,166.67 |
| Water Charges, July 3, 1942 to December 31, 1945 | 32,974.89 |
| | <hr/> |
| | \$74,954.15 |
| Less: | |
| Approximate credit due the Navy Department for income received 1944-1945 | 17,000.00 |
| | <hr/> |
| Balance Due — (approximate) | <u>\$57,954.15</u> |

Since the amount shown above is approximately \$40,000.00 greater than the amount reflected on the books, it is apparent that there has been negligence on the part of the Waterways Division.

Ten Cents a Ton Wharfage (Trackage) Charge to Railroads: A previous audit report stated:

“Clause 3 of an agreement approved by the Governor and Council November 6, 1912, reads:

‘3. The New Haven and the Boston and Maine respectively, shall pay to the Commonwealth, through its directors of the port of Boston, a wharfage charge of ten (10) cents a ton on all goods taken by them respectively, to and from the South Boston piers (or transported between their respective terminals and the South Boston piers) and shall absorb this charge in the freight rates. If passengers are taken directly to and from the pier a suitable charge per passenger may be made by the directors of the port of Boston.

It was the practice for the N. Y., N. H., & H. R. R. to furnish the Division of Waterways with a Railroad Tonnage Export and Import Statement for each ship docking at Commonwealth Pier No. 5 in which railroad tonnage was involved and the statement showed the amount of tonnage chargeable to each of the two railroads. This practice continued and the railroads paid the 10 cent tonnage charge until the Pier was taken over by the U. S. Navy at the beginning of World War II. When the Pier was returned in part by the Navy to the Commonwealth in November, 1945, the N. Y., N. H., & H. R. R. furnished the tonnage statements up to about February 1, 1946. The Port Authority rendered bills to the railroads for this same period of time, but to date of audit the railroad had not paid the charges. The Port Authority rendered no further bills to the railroads after about February 1, 1946, up to the date of this audit. The matter of billing the railroads was discussed with the officials of the Port Authority who decided to bill the

N. Y., N. H., & H. R. R. for all railroad tonnage shown by the ships' manifests subsequent to about February 1, 1946, and through December 31, 1946, however, in the absence of tonnage statements from the N. Y., N. H., & H. R. R., the Port Authority has no way of pro-rating the charges between the N. Y., N. H., & H. R. R. and the B. & M. Railroads.

During the period when no bills were being rendered, several informal discussions were held by the officials of the Port of Boston Authority with representatives of the railroad with no result, but it was understood that the Port Authority intends to take suitable steps to enforce the terms of the agreement."

The Port of Boston Authority has continued to render bills to the N. Y., N. H., & H. R. R. for this charge and the railroad has made no payments up to the date of this audit, and as of August 2, 1948, the ledger account shows an unpaid balance of \$22,283.15.

Conferences have been held by the officials of the Port of Boston Authority and representatives of the railroad, apparently without result. On August 14, 1947, the Port Authority made a formal demand on the railroad for payment. The railroad, by a letter dated August 21, 1947, refused to pay, consequently the Board of Commissioners of the Port Authority voted on September 8, 1947, to turn the entire matter over to the Attorney General.

Clerical Services Charged to Appropriation for "Operation and Maintenance of Property": It was noted that the salaries of clerks totaling \$12,254.89 were charged to the allotment made from this appropriation for the 1948 fiscal year for "Personal Services—Castle Island". It would not appear that there could be that amount of clerical work in connection with Castle Island, as that facility is leased to a private terminal company. Apparently most of the \$12,254.89 should have been charged to the appropriation for "Administration" as the duties of the clerks concerned related to the general administration of the Authority.

Beginning in July, 1948, no further charges were made to this appropriation for these purposes.

Legal Counsel: It was noted that on June 10, 1947, the Board of Commissioners of the Port Authority voted to renew the services of a law firm for the period of July 1, 1947 through June 30, 1948, at a fee of \$8,500.00, payable \$708.33 a month. Apparently the employment of counsel is authorized by Section 2 of Chapter 619 of the Acts of 1945, which reads in part as follows:

"Said Authority . . . shall . . . employ, within the limits of the amount appropriated therefor, such experts, counsel . . . as it may deem necessary."

The 1949 budget contains no provision for outside legal counsel. The necessary services will be rendered by an Assistant Attorney General.

Property Owned by the Port Authority: The question of land and buildings owned by the Port Authority but not being occupied was discussed with the officials of the Port Authority and it was understood that in the near future, advertisements will be inserted in the trade journals inviting bids for the use of the property.

Schedules prepared by the engineering division of the Port Authority showing buildings and land owned by the Authority follow:

BUILDINGS

August 2, 1948

| SOUTH BOSTON | | ASSESSED VALUATIONS | AREA IN SQUARE FEET |
|---------------------------------|--|------------------------|------------------------|
| Pile Pier (Grasselli) | | \$ 22,500.00 | 15,000 ft. |
| Heating Plant and Chimney | | 41,000.00 | 4,840 ft. |
| Bosun's Locker | | 1,800.00 | 240 ft. |
| Shed under Viaduct | | 22,000.00 | 6,250 ft. |
| E Street Storehouse | | 139,000.00 | 178,000 ft. |
| E Street Storehouse (Platforms) | | 23,500.00 | 18,000 ft. |
| Boilerhouse | | 6,500.00 | 2,500 ft. |
| Grasselli Building | | 25,000.00 | 15,000 ft. |

| | ASSESSED VALUATIONS | AREA IN SQUARE FEET |
|---------------------------|------------------------|--------------------------|
| SOUTH BOSTON | | |
| Commonwealth Pier No. 5: | | |
| Building* | 3,060,000.00 | 421,200 ft. |
| Pier Solid Portion | 1,207,000.00 | 345,000 ft. |
| Pier & Platform | 438,000.00 | 135,000 ft. |
| Commonwealth Pier No. 6: | | |
| Pier Solid | 720,000.00 | 360,000 ft. |
| EAST BOSTON | | |
| Commonwealth Pier No. 1: | | |
| Pile Pier | 112,000.00 | 64,795 ft. |
| Buildings | 62,000.00 | 56,000 ft. |
| CHARLESTOWN | | |
| Hoosac Piers: | | |
| Grain Elevator (Building) | 376,000.00 | 21,952 ft. |
| | <u>\$6,176,300.00</u> | <u>1,643,777 sq. ft.</u> |

*Total unoccupied office space in Commonwealth Pier No. 5 Building—7,403 square feet.

| LAND | | | | |
|-------------------------------|---------------------------------------|--------------------|--|-------------------------|
| | ARBITRARY VALUE ASSESSED VALUATION | AREA IN Sq. Ft. | LAND OCCUPIED BY LEASE OR PERMIT | UN- OCCUPIED LAND |
| South Boston: | | | | |
| Commonwealth Pier No. 5: | | | | |
| Docks | \$ 924,000.00 | 420,000 | 420,000 | — |
| Commonwealth Pier No. 6: | | | | |
| Docks | 593,250.00 | 660,000 | 660,000 | — |
| Land | 230,000.00 | 177,100 | 177,100 | — |
| Land and Railroad Yard Flats: | | | | |
| Land | 9,104,900.00 | 3,200,530 | 2,330,117 | 870,413 |
| Flats | 66,000.00 | 355,728 | 355,728 | — |
| Castle Island: | | | | |
| Land | 2,700,000.00 | 3,332,340 | 3,332,340 | — |
| South Bay | | | | |
| Land | 209,900.00 | 262,366 | 69,734 | 192,632 |
| Flats | 9,700.00 | 64,970 | — | 64,970 |
| Docks | 3,600.00 | 36,000 | 30,016 | 5,984 |
| East Boston: | | | | |
| Commonwealth Pier No. 1: | | | | |
| Land | 495,800.00 | 65,340 | 65,340 | — |
| Docks | 396,500.00 | 340,936 | 340,936 | — |
| Charlestown: | | | | |
| Hoosac Piers: | | | | |
| Pile Pier — Land, Docks | 1,161,900.00 | 663,415 | 663,415 | — |
| | <u>\$15,859,550.00</u> | <u>9,578,725</u> | <u>8,444,716</u> | <u>1,134,009</u> |

PUBLIC BEQUEST COMMISSION REPORT No. 2575

It is noted that the total amount accumulated in this fund since September 1, 1929, is only \$3,538.68. Since no payments may be made from the fund until the principal amounts to \$500,000.00, it is apparent that unless contributions are increased to a far greater extent than those which have been received to date, there is little likelihood that the purpose for which the fund was created will ever be carried out.

SOLDIERS' HOME IN MASSACHUSETTS REPORT No. 2495

Appropriations: State appropriations made to this hospital are derived from the Veterans' Fund. Under Federal statutes additional funds are supposedly made available to the institution at the rate of \$500.00 per patient per year. During the early years of state operation, these Federal funds were made directly available to the hospital and assisted materially in raising hospital standards to a degree considerably higher than those maintained by other state institutions. Today, the Soldiers' Home and Hospital derives no benefit whatsoever from Federal assistance since an estimate of the amount to be received from that source is deducted from the amount appropriated by the State at the time the original appropriation is granted; and, should the amount of Federal funds actually received exceed this estimate, the excess is added to the Veterans' Fund. Continuance of this practice could result in the loss of Federal subsidy.

Soldiers' Home Power Plant: When expansion of the facilities of the Soldiers' Home Hospital was originally planned, it was indicated that in addition

to the new hospital, a nurses' home, enlarged laundry facilities, homes for doctors and quarters for male attendants would be needed. The power plant now serving the original institution, approximately forty-five years old, was deemed inadequate and obsolete, and it was decided that rather than extending these facilities, an entirely new power plant should be constructed. When the new plant was planned, it was determined that when all further new construction was completed, the new power plant would require three boilers. For reasons never explained, the Massachusetts Public Buildings Commission cut these plans to two boilers. The two-boiler plant has been completed and has recently gone into operation.

The last session of the Legislature, in accordance with original plans, provided funds for the expansion of the laundry facilities, and simultaneously the Commission on Public Buildings included a request for additional funds to enlarge the facilities of the new power plant. As a result, one wall of the new power plant, in operation only a few weeks, will have to be torn out in order to increase capacity to three boilers. In view of the fact that previous to construction of this new plant, it was known that the plant would eventually require three boilers, the Public Buildings Commission has been responsible for a waste of public funds.

Generators: The Soldiers' Home and Hospital uses both AC and DC current; DC current is generated by the institution itself, the AC current is purchased. Originally the institution supplied all needed power in the form of direct current from generators now still in use, more than forty-five years old. Replacement of the worn-out parts during recent years has been accomplished with great difficulty and according to modern generating standards, these facilities are completely outmoded.

In their plans for expansion, the officials at the institution requested that alternating current generators of sufficient capacity to supply the entire institution be included as a part of the new power plant; but, although these generators were included in original plans, they were eliminated by the Public Building Commission. To meet this refusal, the institution thereupon requested that the forty-five year old direct current generators be junked and that funds be provided to rewire the older sections of the institution for alternating current. This would have placed all electrical facilities on purchased AC current but this request was refused by the Commission. The institution then requested that a small stand-by generator be included in the plans for the new power plant to provide emergency lighting in the operating rooms and for other essential uses and this request was also denied by the Commission. As a result, the institution will continue to depend on forty-five year old generators for about one-third of its power and will be compelled to rely upon private sources for the remainder of its power needs. Should private sources fail, a large part of all the heating and electrical facilities of the hospital will fail and it is pointed out, that this is a hospital involved and it is not a question of inconvenience, but the lives and health of its patients will be involved. Consideration must also be given to the fact that the new power plant is electrically operated, its fires are fed by electrical stokers, and its controls are electrically operated. Only under extreme difficulty, should power fail, could this plant be manually operated, and then only at a fraction of its normal efficiency. Power failure from private sources would, therefore, also cripple the heating facilities of the entire institution.

Deceased Members' Funds: Included in Members' Personal Funds on the date of audit was the amount of \$2,812.31 representing funds of nine deceased patients. Eight of these accounts were paid out during the progress of the current audit and the remaining account amounting to \$535.00 is awaiting court appointment of an administrator. This patient died April 20, 1948.

Purchase of X-ray Equipment: It was noted that the X-ray equipment mentioned in the previous audit has been set up and is now in use in the X-ray Room of the hospital. The sum of \$8,130.00 appropriated under Repairs and Renewals was expended in paying for this equipment.

Canteen: The canteen operated at this institution is privately owned and operated. No rent is paid for the space occupied by this concession and no audit was made of the records. However, it was noted that monthly donation is being made by the canteen operator to the "Donation Account" of the institution.

STATE RACING COMMISSION REPORT No. 2523

Unclaimed Pari-Mutuel Tickets: The values of the unclaimed tickets as established on date of audit from records of the racing commission total \$77,825.90 for the 1947 racing season and \$72,672.80 for the 1948 racing season. Both amounts are subject to reduction through cashing of tickets within the time limit as set by law. The balances held by the various associations as of December 31, 1948, for the 1947 racing season, should be received as income early in 1949.

Unpaid pari-mutuel tickets are under a continuous audit by the commission's accountants until turned over to the State.

Receipts from State and County Fairs: Chapter 390 of the Acts of 1947 as amended by Chapter 319 of the Acts of 1948, provides that commissions and breakage received from fairs shall be held in a separate fund known as the "Agricultural Purposes Fund".

It was noted that the amount of \$77,493.00 received from the fairs held in the summer and fall of the 1947 racing season was transferred to the above fund (Comptroller's Account No. 3801-100) in the fiscal year ending June 30, 1948.

The amount of \$70,189.22 received from fairs held in the 1948 racing season has also been transferred to the fund and appears in the Comptroller's records for the 1949 fiscal year.

STATE SUPERINTENDENT OF BUILDINGS REPORT No. 2493

Assignment of Rooms in the State House and Elsewhere: Section 10 of Chapter 8 of the Tercentenary Edition of the General Laws, as amended by Section 4 of Chapter 249 of the Acts of 1938, and Chapter 440 of the Acts of 1943, referring to the Superintendent of Buildings, states:

"He shall, under the supervision of the governor and council and with the approval of the commission on administration and finance, assign the rooms in the state house and rooms elsewhere used by the commonwealth, and may determine the occupancy thereof in such manner as the public service may require . . ."

In conformance with the foregoing statute, certain private service enterprises have been allotted rent-free space in the State House.

SECRETARY OF THE COMMONWEALTH GENERAL DEPARTMENT REPORT No. 2490

General Court Manuals: Section 11 of Chapter 5 of the Tercentenary Edition of the General Laws, as amended, provides for the printing and distribution of manual for the General Court. Under the statute not more than 10,500 copies are to be printed in every odd-numbered year and any balance remaining after distribution to certain specified personnel, the balance may be sold by the State Secretary to the general public at cost.

The present practice is for the clerk in charge of the Public Document Division to estimate the number of manuals which will not be distributed and to offer them for sale at \$1.00 each. This estimate may be revised from time to time as a larger number of free copies may be requested by those persons entitled to them than was at first anticipated. The funds derived from the sale of the manuals to the general public are turned over to the State Treasurer. However, since there is no time limit placed upon the free distribution, the number available for sale cannot be definitely known nor can the number of manuals sold be verified.

Deposits of Funds—(Division of Vital Statistics): Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws states as follows:

"Except as otherwise expressly provided, all fees or other money received on account of the Commonwealth shall be paid daily into the treasury thereof, but if in the opinion of the Commission on Administration and Finance and the State Treasurer the interest of the Commonwealth required, payment may be made weekly in accordance with such rules and regulations as the State Treasurer may prescribe."

It is recommended that the Comptroller's Bureau study the prevailing system and make the necessary changes for the purpose of recording suspense items.

It is further recommended that all receipts be forwarded daily to the State Treasurer.

In this connection it was noted that on July 21, 1948, the date on which the current audit started, there was on hand \$57.25, representing forty-two items some of which are dated May 1948.

Recording of Current and Prior Year Refunds: When a check is received for a current or prior year refund, it is deposited with the State Treasurer on a regular receipts voucher and recorded in the general cash book with "other income". This practice is confusing and should be discontinued inasmuch as these refunds are reductions of expenditures and should not be included with receipts of income. At the end of each month, the total of these "expenditure" refunds are included with the refunds of "income" and then deducted from gross receipts. It is recommended that these two types of refunds be segregated.

There is no general ledger in this department; therefore, it is suggested that the Comptroller's Bureau instruct the department as to the proper method of handling receipts of this nature.

Recording of Bad Checks: It was noted that the record of Bad Checks is very loosely kept. In view of the large number of checks returned during an audit period, it is suggested that a more accurate and complete record be available.

General: In the department of the Secretary of State, there are six divisions. All income received by the various divisions is turned over to the general cashier in the Corporation Division who deposits the income with the State Treasurer on a regular receipts voucher and records it in the general cash book. It was found, however, that the general cash book does not specify in sufficient detail the type of income received by the various divisions and that the same account number is sometimes used for different kinds of revenue.

It is suggested that each division deposit with the State Treasurer all income received on a regular receipts voucher and submit a copy of it to the general cashier, who in turn will record it in the general cash book.

TREASURER AND RECEIVER-GENERAL

GENERAL DEPARTMENT REPORT NO. 2554

Transfer of Cash and Securities: A statement which is used to transfer the cash and securities on hand from the outgoing treasurer to the incoming treasurer was prepared as of the close of business January 19, 1949. On this date the cash balance was \$33,218,039.82 and the securities amounted to \$309,581,871.04. Copies, appropriately signed, were given to both incoming and outgoing treasurers and in accordance with Chapter 10 of the General Laws, a signed copy was deposited with the Secretary of State.

Bonus Division: There was due the Commonwealth on January 19, 1949, on account of bonus overpayments, the sum of \$6,608.00 of which amount \$1,174.00 has been referred to the Attorney General for disposition. It was noted that the present card system as maintained by this division is apparently inadequate because there is no controlling account nor are the cards numbered in numerical sequence. This makes it impossible to determine if any have been misplaced. As a bound ledger would provide a more desirable record, it is suggested that one be installed.

Public Utility Bonds: Chapter 658 of the Acts of 1945 provides authority for the Investment Committee to invest funds of the State Employees' and Teachers' Retirement Funds in bonds which are legal investments for savings banks. Formerly, these funds could only be invested in government bonds.

During the course of this audit a total of \$4,250,000.00 of Public Utility bonds were purchased. Of this amount, only \$1,500,000.00 was on hand and the balance of \$2,750,000.00, although purchased almost one year ago, still in temporary form, are being held in safekeeping by the Bankers Trust Company of New York for the account of the Commonwealth. It is understood that this is being done to facilitate the exchange of these temporary bonds for fully registered bonds when they are available. These bonds are as follows:

| | |
|-----------|---|
| \$250,000 | 3 1/8% Mountain State Tel. & Tel. Co. bought April 13, 1948, due April 1, 1978. |
| 500,000 | 3% New England Power Co. 1st mortgage Series B, bought August 2, 1948, due July 1, 1978. |
| 500,000 | New Jersey Bell Telephone Co. debentures 3 1/8%, bought July 22, 1948, due July 15, 1978. |
| 500,000 | 3 1/4% Pacific Telephone and Telegraph Co. bought March 23, 1948, due March 1, 1978. |
| 500,000 | 2 7/8% Philadelphia Electric Co. 1st and Refunding Mortgage, bought March 23, 1948, due February 1, 1978. |
| 500,000 | Southwestern Bell Telephone Co. debentures 3 1/8% bought May 11, 1948, due May 1, 1983. |

Weekly Payrolls: Chapter 29 of the General Laws, as most recently amended by Chapter 501 of the Acts of 1948, provides for weekly payments of salaries of less than \$3,000.00 a year. The effective date of this Act has twice been extended and as it now stands, takes effect July 1, 1949. Legislation to repeal this present Act has been filed by the Commissioner on Administration with the current General Court.

Salary Advances: On January 19, 1949, there was in outstanding salary advances \$51,178.64. On March 7, this amount had been reduced to \$6,677.65 and it is anticipated that the balance, except in one salary advance for \$96.00 which has been referred to the Attorney General for collection, will clear with the March payroll.

Metropolitan South Sewerage System Loan Fund, Sinking Fund Surplus: It was noted that there was a surplus of \$373,374.99 in the South Sewerage System Loan Sinking Fund Account. The bonds were paid January 1, 1946, and question was raised as to the disposal of the surplus. It was understood from an official in the Treasurer's office that this is a matter for the Legislature to determine. To date this determination has apparently not been made.

Veterans' Housing: Under existing veterans' housing statutes the Commonwealth has made substantial financial commitments, and these obligations are to be met from the Veterans' Services Fund.

Under Chapter 372 of the Acts of 1946, financial assistance is limited to a 10% capital grant, based on the total development cost of the housing project. The 10% capital grant is to be given as a subsidy, payable at the rate of 2% per annum for a period of five years. As of June 30, 1948, the Commonwealth's obligation under this chapter was estimated at about \$2,000,000.00; however, no reimbursements have been made on account of this chapter to any of the municipalities.

Under Chapter 200 of the Acts of 1948, the Commonwealth is committed to a \$200,000,000.00 contingent liability, as it guarantees the payment of all notes, bonds and interest of local housing authorities. It further provides for a subsidy of 2½% on the cost of the projects to be used by the municipalities for the payment of interest on, and principal of, notes and bonds of the Housing Authority. Contributions on account of subsidies under this chapter are not to

exceed \$5,000,000.00 in any one year. For the maximum period of twenty-five years, subsidies alone could, therefore, amount to a total of \$125,000,000.00.

The audit report of the State Housing Board issued by this Department on December 13, 1948, in referring to financing arrangements made by existing statutes stated as follows:

"Financing: Although bonds issued for construction of housing units have the advantage of the financial backing of the Commonwealth, each local housing authority will issue its own bonds. It is anticipated that the interest rates on these issues will vary, despite the common State guarantee, and that the rate will be higher than the rate of interest paid on regular State bonds. This will place an additional burden upon the entire program, and it is recommended that the chairman seek amendment to the present statute to provide that all bond issues shall be made in the name of the Commonwealth."

The recommendation is again strongly urged.

Veterans' Services Fund: Schedule No. XII, included in this report, presents a detailed statement of receipts and disbursements in the Veterans' Services Fund.

Income to this fund is derived from:

- I Cigarette Tax — provided by Section 9 of Chapter 731 of the Acts of 1945. This tax has been set up for an indefinite period.
- II Alcoholic Beverages Tax — provided by Section 11 of Chapter 731 of the Acts of 1945. This tax has been set up for an indefinite period.
- III Corporation Tax — provided by Section 10 of Chapter 731 of the Acts of 1945. The income from this source was provided only for the tax year of 1946.
- IV Corporation Tax — provided by Section 5A of Chapter 581 of the Acts of 1946. This tax will be collected for the tax years of 1947, 1948, 1949 and 1950.

In addition Section 8 of Chapter 669 of the Acts of 1948 provides in part as follows:

"All income, including federal subventions and grants, received by the Commonwealth from or on account of veterans in payment for veterans' services, shall be credited to the Veterans' Services Fund."
(The veterans' services mentioned in the above Act are those which are paid for from appropriations made from the Veterans' Services Fund.)

MASSACHUSETTS PUBLIC BUILDINGS COMMISSION REPORT No. 2502

General: Chapter 466 of the Acts of 1947 gives to the Massachusetts Public Buildings Commission the power to approve or reject all plans, specifications or contracts pertaining to the construction of buildings, and related structures, costing more than five thousand dollars and in addition, the Commission has assumed the authority of approving all payments in connection with such projects.

The Massachusetts Public Buildings Commission does not have the personnel necessary to carry out this work and, as a result, its approval of these invoices is merely a perfunctory rubber stamp operation.

Bookkeeping: As noted in the previous audit report, there was no general ledger in use at the Massachusetts Public Buildings Commission nor have any bookkeeping records been installed by the Comptroller's Bureau as of date of audit. Records are kept for the information of the Commission of each project, showing total payments made and balance of appropriation to date.

It is recommended that the Comptroller's Bureau examine the above-mentioned records to determine whether or not they are sufficient to be maintained as a permanent record of the Commission.

STATE BOARD OF RETIREMENT REPORT No. 2613

General: As was indicated earlier in this report only certain financial transactions in this department could be verified in connection with the current examination. The reasons extended by the department officials follow:

During the 1946 and 1947 legislative sessions the entire State Retirement Law was rewritten. In this connection, the Board of Retirement was directed by the Division of Insurance to recompute all members' balances with particular regard to the interest credited. This resulted in three breakdowns of deposits and interest on practically all of the 22,000 members accounts.

Inasmuch as this change was not authorized by the Division of Insurance until January 1949, the Board of Retirement was faced with the physical task of accomplishing these changes within a short time prior to the beginning of this audit.

This work is now nearly completed. However, the proving of the interest and the balancing of the various control groups with the controls in the special and general ledgers are not yet finished for the year 1948. A trial balance of the General Ledger could not, therefore, be taken as of December 31, 1948.

Machine Bookkeeping: The present system of manual accounting on the members' account cards is being replaced as of January 1, 1949, by machine bookkeeping and it is presumed that this arrangement will expedite the work to a great extent.

ATTORNEY GENERAL

GENERAL DEPARTMENT REPORT No. 2492

Accounts Referred for Collection: A so-called docket card is made out in the chief clerk's office for each account transferred to the Attorney General for collection. The docket cards are filed alphabetically under the name of the individual or concern who owes money. This is true of all accounts transferred to the Attorney General with the exception of cases transferred by the Department of Corporations and Taxation.

The accounts referred by the Department of Corporations and Taxation to the Attorney General for collection may be divided into two groups:

1. Delinquent taxes which the Income Tax Division sends to the Attorney General in the form of one docket card for each case.

2. A list of corporations who have failed to file the annual certificate of condition, which list is sent by the Commissioner of Corporation and Taxation. From this list the chief clerk writes up the individual docket cards.

If the Attorney General has been put to any expense, namely, the cost of serving the papers by a deputy sheriff, such costs are charged when the return is filed. The chief clerk does not accept the \$10.00 fee for filing the annual certificate of condition, but makes certain that it is paid to the Secretary of State.

There appears to be no practical way that the Auditor can check the penalties and costs assessed by the Attorney General in connection with the filing of the certificates of condition.

The Attorney General uses his discretion as to whether suit shall be brought for the collection of the account, compromise the account or settle it without court action.

Several previous audit reports have stated:

"If it is desired to arrange the records in the office of the Attorney General so that the State Auditor may make a satisfactory audit of these accounts, several changes in the set-up are necessary.

"The mere checking of the receipts showing on the docket cards to the cash book kept by the chief clerk does not constitute an audit of the accounts.

"1. The so-called card docket file which is arranged alphabetically by the names of the persons owing money should be supplemented by a file arranged by state departments and institutions and under each state sub-division there should be a record of each individual or concern owing money to that particular department or institution, and it should be the duty of whoever has charge of this record periodically to verify it by correspondence with the several departments and institutions.

"2. All entries made in the above described file for accounts settled in any manner except by the payment of the amounts due should be supported by authorizations signed by the officials responsible.

"In addition to the changes in the records, it will also be necessary to establish some definite policy for the chief clerk to follow in handling delinquent certificates of condition."

To date none of the above recommendations have been carried out by the department.

Appropriation Deficiencies: Item 36-L of Chapter 495 of the Acts of 1939 provided \$25,000.00 for:

"For services and expenses of the attorney general in preparing and furnishing information for use by the commission appointed to study and investigate the service of the New York, New Haven and Hartford Railroad Company. \$25,000.00."

Against this appropriation the Department of the Attorney General passed for payment bills totaling \$24,900.52, which were charged against this appropriation in the following years:

| | |
|---|--------------------|
| Expended in 1939 fiscal year | \$ 4,318.25 |
| Expended in 1940 fiscal year | 20,582.27 |
| | <u>\$24,900.52</u> |
| Unexpended balance of appropriation | 99.48 |
| | <u>\$25,000.00</u> |

In addition to the above bills there were outstanding invoices against this appropriation on April 3, 1943, amounting to \$4,448.72 which were reduced by the following deficiency appropriation and adjustments to \$1,831.39 as follows:

| | |
|--|-------------------|
| Deficiency, April 3, 1943 | \$4,448.72 |
| Deduct: | |
| Deficiency appropriation, Chapter 513 of the Acts of 1943 | \$1,023.95 |
| Deficiency appropriation, Item 2899, Chapter 736 of the Acts of 1945 | 71.50 |
| Deficiency appropriation, Item 2899, Chapter 685 of the Acts of 1947 | 1,128.99 |
| Adjustments, Royal Typewriter Co. | 72.00 |
| Adjustments, Attorney General's Department | 320.89 |
| | <u>2,617.33</u> |
| Deficiency as of September 2, 1947 | <u>\$1,831.39</u> |

This deficiency of \$1,831.39 comprises two unpaid items as follows:

| | |
|---------------------------------|-------------------|
| Expense Account | \$ 17.65 |
| Professional Services | 1,813.74 |
| | <u>\$1,831.39</u> |

This appropriation has expired on the Comptroller's books and no balance is shown on their records.

On the date of the previous audit, September 2, 1947, there were other liabilities outstanding for which there were no available funds, as follows:

Appropriation for Administration and Other Expenses (1940):

| | |
|--|-----------------|
| Deficiency as of March 6, 1945 | \$1,746.82 |
| Deficiency appropriation, Item 2899, Chapter 736, Acts of 1945 | 1,160.89 |
| | <u>\$585.93</u> |
| Adjustments: | |
| Add discount disallowed | 1.80 |
| | <u>\$587.73</u> |
| Less Royal Typewriter Co. | 171.00 |
| Deficiency Balance, September 2, 1947 | <u>\$416.73</u> |

Advance Money: The reconciliation of the advance fund of \$1,000.00 on July 8, 1948, revealed that the cash on hand included advances made to two employees who have since left the employ of the department, but have not yet repaid advance made to them. The first employee left the department June 1940, and the second employee left the department May 26, 1947. These advances amount to \$133.86.

Bonds: It was noted that the custodian of the advance fund was still not bonded.

Boston Elevated Railway Company Declaratory Judgment Special Appropriation Account: Under Resolve 89 of the Acts of 1941 an initial appropriation of \$75,000.00 was granted to the Department of Public Utilities to cover the expenses of a proceeding for a judicial determination of certain powers and duties of the Trustees of the Boston Elevated Railway Company and relative to jurisdiction of any such proceeding. Additional appropriations were granted under the Acts of 1945, 1946 and 1947 to carry out the purpose of this Resolve.

On June 19, 1947, the Governor of the Commonwealth signed the bill by which the Metropolitan Transit Authority assumed ownership of the Boston Elevated Railway Company assets and liabilities. Any Court proceedings which the Commonwealth had against the Boston Elevated Railway Company on June 19, 1947, ceased on that date since the Commonwealth was then committed to the purchase of the Railway Company.

An examination of the special appropriation account to which the expenditures of the Boston Elevated Railway Company's declaratory judgment proceedings were proper charges disclosed that this special appropriation account was charged in July 1948 with 50% of the salary of an Assistant Attorney General and his legal secretaries totaling \$4,722.00 for legal services in connection with a bill in equity brought by the Trustees of the Boston Elevated Railway Company against the Metropolitan Transit Authority and others on July 2, 1947, asking for a declaratory judgment on questions of alleged liability of the Metropolitan Transit Authority for the income tax on the capital gain if any on the sale of the Boston Elevated to the Metropolitan Transit Authority. The expenditures to this account would appear to be for charges which are not within the scope of the Acts of 1941, Resolve 89.

DEPARTMENT OF AGRICULTURE
GENERAL DEPARTMENT REPORT No. 2510

Certificates of Registration for Dairy Farms: Section 16C of Chapter 94 of the Tercentenary Edition of the General Laws, amended by Chapter 374 of the Acts of 1941, as most recently amended by Chapter 467 of the Acts of 1946 now provides that the Director of Dairying and Animal Husbandry may issue certificates of registration for dairy farms for no fee, provided the dairy farm meets certain requirements and has been inspected. If a certificate is lost, duplicate copies may be obtained from the director at a cost of fifty cents each.

An attempt was made to verify the dairy farm inspection fees received during the audit period by use of certificate inventories, refunds, and pending items. It was not possible to make this verification. The statute authorizing the collection of a fee was changed by Chapter 467 of the Acts of 1946 to no fee for the original certificate and a fifty cent fee for a duplicate certificate.

Separate records of certificates issued under the two statutes were not kept.

Test checks were made of fees recorded as being received.

Inasmuch as these certificates are all printed with a serial number, it is recommended that a block of certificates be kept separate and be used only for duplicate fees. In this way it would be possible to check the income from this source.

Inspection of Pasteurization Plants Located Outside the Commonwealth: Chapter 542 of the Acts of 1946 authorizes the issuing of permits of approval to pasteurization plants located outside the Commonwealth, if inspection of such plants by the Division of Dairying and Animal Husbandry indicated that they were complying with all rules and regulations set forth by the Milk Regulation

Board. Under this act, a fee of \$10.00 was to be charged for permits issued to plants located outside the Commonwealth, no fee to be charged to plants located within the Commonwealth. These permits expire on May 31st of each year.

Income for this audit period amounted to \$600.00 and was checked to carbon copies made up on letterhead paper. It is recommended that these certificates be made up by a printer and show a printed serial number, the amount of the fee and the expiration date. The year of expiration could be filled in by the Department. This type of certificate would do away with ordering new certificates every year.

MILK CONTROL BOARD REPORT No. 2551

Audit Limitations: This report is issued in compliance with statutes that require the Department of the State Auditor to examine annually the accounts of all agencies of the Commonwealth; however, the Department of the State Auditor feels it essential to emphasize again the fact that limitations placed upon this previous audits by the Milk Control Board have restricted the scope of this examination to a point which makes this report a statutory gesture.

The following essential financial activities of the Milk Control Board have not been examined:

1. The Department of the State Auditor is unable to state that the full amount of assessments have been collected from the various milk dealers.
2. The Department of the State Auditor cannot state that collateral in an amount sufficient to meet the provisions of existing statutes and to protect the income of the small milk producers has been deposited with the Milk Control Board.

Assessments: Audit reports for the past several years have emphasized the fact that one of the most important financial activities of the Division of Milk Control is the collection of monthly assessments.

These assessments, based upon the volume of milk handled by the dealers, are required by law to be paid on or before the tenth day of each month for the month immediately preceding.

The estimated unpaid assessments as reported by the Board as of September 27, 1948 totaled \$40,933.16, an increase of more than \$30,000.00 over the estimated balance on date of previous examination.

This substantial increase is due to the fact that the three largest milk dealers in this State have withheld payments on their monthly assessments.

A summary of estimated unpaid assessments indicating the three largest dealers as A, B and C as follows:

| DEALER | NUMBER OF MONTHS OWING | ESTIMATED AMOUNT DUE |
|--------------------------|------------------------|----------------------|
| A | 6 | \$25,405.15 |
| B | 4 | 4,500.00 |
| C | 6 | 5,372.65 |
| All others (336 dealers) | 1 or more | 5,655.36 |
| | | <u>\$40,933.16</u> |

During the course of the audit, Dealers A, B and C paid their delinquent assessments in full.

Assessments with Attorney General: On date of last examination, four assessment accounts totaling \$4,767.47 were with the Attorney General for collection.

The disposition of these accounts is as follows:

| With Attorney General | Amount Collected | Amount Canceled | Balance Due |
|--------------------------|---------------------|--------------------|----------------|
| \$4,767.47 | \$2,325.00 | \$2,042.47 | \$400.00* |

*Ordered through counsel to pay monthly installments until balance is liquidated.

It was noted that the due balance of \$400.00 was not set up in the general ledger as suspense accounts receivable. It is recommended that this amount, and

future amounts placed with the Attorney General, be carried as suspense accounts receivable.

Accounts Receivable: The records at the Division of Milk Control indicated that assessment audits had been completed on some of the delinquent dealers' assessments accounts. On September 27, 1948, the unpaid accounts determined by these audits amounted to \$31,549.26. It is recommended that all unpaid assessments as shown by the audits of the inspectors of milk records be set up as account receivable on the books of the Division.

Dairy Bonding Section: Examination of the records of the Bonding Section and reconciliation of the control with the securities on deposit (as collateral for notes) disclosed the following errors or irregularities.

1. Control Differences—The physical check of the securities held as collateral against the book records and the control thereof disclosed a variation of \$915.00. Analysis of the control account detail showed that in seven instances the securities involved had not been passed through the control account, had been incorrectly controlled, or as in one instance had passed through the control twice. The above-mentioned variations were adjusted during the course of the audit and a complete reconciliation affected.
2. Assignments—Perusal of the assignments of bank balances placed as collateral disclosed that in seventeen instances proper note coverage was not secured. The irregularities were as follows: In nine instances, the acknowledgments of assignments on file were less than the notes, although in all these cases the bank balances were sufficient to cover the acknowledgments of assignments required to cover the notes. In six cases, no acknowledgments of assignments had been secured, although the bankbooks were on hand. In the other two instances, the acknowledgments of assignments were in excess of the bank balances which, therefore, rendered them accessible only to the amount of the balance.

There was another instance where stock had been placed as collateral for a required \$700.00 bond. While the value of the stock was in excess of the bond amount required, it was in registered form and a power could not be located. The supervisor was of the opinion a power had been secured and has probably been misfiled. If it is not located, one will be secured.

All of the above-mentioned irregularities were brought to the attention of the supervisor of the Dairy Bonding Section and the auditor was advised that assignments would be obtained for those not covered, new assignments for those to be increased, and additional deposits requested where necessary.

Ledger Records: There were numerous deviations from accounting principles disclosed in the examination of the ledgers, namely:

1. Balances were not brought forward from year to year where collateral of some sort was being held on inactive accounts. Some of these accounts were several years old and in some instances ruled off, although the collateral was still held and in control.
2. Numerous active accounts where the notes, collateral, etc., remained the same were not brought forward to the current year, and again some were ruled off as though closed.
3. Several entries had not been made to cover the notes or assignments of record due to the fact adjustments were pending. It is felt that the amounts of record should have been entered and the adjustments made when the new notes, assignments or collateral were received.

All accounts with any activity whatever, even though only holding collateral, should be shown as an open account in the current year.

Collateral to be Returned: It was found that several bankbooks are being held in the Dairy Bonding Section which have been foreclosed but which show balances consisting mostly of interest. Inasmuch as the State apparently has

no equity in these balances, it is suggested that steps be taken to return these bankbooks to their rightful owners and that the banks involved be notified of the releases of assignments.

Bond Coverage: Under Section 42B of Chapter 94 of the Tercentenary Edition of the General Laws, the dealer is required to file bond with the Commissioner. The amount of the bond—

“... shall be substantially equivalent to the total purchase price, as determined by the commissioner, of milk and cream purchased by the applicant from Massachusetts producers in the average period between payments by him to producers ...”

Section 42C of the same chapter authorize the Commissioner, in the event that any dealers are default in their payments for milk to the producers, to —

“... bring an action upon any bond given under the two preceding sections ... and may sell any collateral deposited with him thereunder. He may apply the sum recovered in any such action, or the proceeds of the sale of any such mortgaged property or deposited collateral, or any cash deposited as security, toward the payment of any claim of producers...”

The status of dealer-producer position as to default of dealers in their payments for milk purchased from producers could not be determined since this Department has been refused access to the records of the Division of Milk Control relating to dealer-producer activities.

DEPARTMENT OF BANKING AND INSURANCE DIVISION OF BANKS REPORT No. 2555

Central Organization Fund: There was received into this fund during the current audit period the sum of \$632.73, representing collections on certain assets which had been in possession of the Director of the Division of Liquidations.

Recovery Funds: A reconciliation of the two bank accounts maintained in this Department covering undistributed dividends was made as of the date of audit. As of that date, the balance in the State Street Trust Company of Boston for the liquidation of the closed Holyoke Morris Plan Banking Company was \$53.68. There was no activity in this account for the audit period. The balance in the New England Trust Company of Boston for the liquidation of the closed Central Trust Company of Cambridge was \$3,851.70. The following transactions in this account from November 10, 1947 to November 22, 1948 were noted:

| | | |
|----------------------------------|-------------|-------------|
| Balance November 10, 1947 | | \$63,395.71 |
| Final dividend November 17, 1947 | \$58,953.14 | |
| Salaries | 2,742.15 | |
| Expenses | 243.36 | |
| Counsel Fees | 300.00 | |
| Treasurer of the Commonwealth | 1,157.06 | \$63,395.71 |

On January 25, 1949, the unclaimed balance of the following accounts were paid to the State Treasurer:

| | |
|---|-------------------|
| From Liquidation Holyoke Morris Plan Bank | \$53.68 |
| From Liquidation Central Trust Company | \$3,817.90* |
| *Unclaimed cash dividends | \$2,121.96 |
| Outstanding checks—Savings accounts | 1,085.01 |
| Outstanding checks—Commercial accounts | 610.93 |
| | <u>\$3,817.90</u> |

Examination of Banking Institutions: Costs of examinations of trust companies, savings and loan associations and Morris Plan banks are paid by the banks concerned. Charges for examinations of cooperative banks and credit unions are based on a percentage of the assets of the institution concerned and do not in every case cover the complete cost of the examination.

In the period from November 10, 1947 to November 20, 1948, the costs and reimbursements were as follows:

| | Cost | Reimbursement | Difference |
|--------------------------------------|---------------------|---------------------|--------------------|
| Trust Companies | \$74,390.01 | \$74,390.01 | — |
| Other Banking Institutions | 6,264.93 | 6,264.93 | — |
| Co-operative Banks | 128,565.56 | 75,935.45 | \$52,630.11 |
| Credit Unions | 39,045.18 | 11,992.92 | 27,052.26 |
| | <u>\$248,265.68</u> | <u>\$168,583.31</u> | <u>\$79,682.37</u> |

Chapter 527 of the Acts of 1948 provides that in the case of trust companies and co-operative banks and other banking institutions they shall be charged for the costs of examinations within certain limitations "including that part of the overhead expenses of the Division of Banks and Loan Agencies which shall be determined by the Commissioner to be attributable to the supervision of such corporation". This overhead not having been determined, it was noted that examinations for trust companies and co-operative banks had not been charged from July 1, 1948 to November 22, 1948.

Accounts Receivable Ledger: The Division does not have an accounts receivable ledger. A three column journal is being used where the charges, dates paid, and amounts paid are recorded. The clerk who types the bills, passes along to the clerk who enters them in the journal, a memorandum of the bills sent on a 2" x 4" card.

It is recommended that an accounts receivable ledger be provided and a duplicate of the "original" bill sent should be retained for the Department's own records.

Safekeeping of Valuables from Closed Banks: The Commissioner of Banks is holding, in locked file cabinets in Room 106, envelopes containing documents or articles found in various safe deposit boxes rented by persons whose addresses cannot now be located. The contents of these boxes have been removed and placed in envelopes by a Notary Public, in accordance with the statutes, prior to being turned over to the Commissioner by the Director of Liquidations.

These envelopes in the main contain lapsed insurance policies, worthless stock certificates, outlawed promissory notes, and similar documents of no value to the Commonwealth. The owners are still unknown and are unlikely to redeem, because of storage charges and locked-drilling charges that they must pay before taking their property.

In earlier similar cases the Commissioner has, after the lapse of six years, obtained permission of the Supreme Judicial Court to destroy these accumulated papers.

The Commissioner is obliged to hold these papers until after August 31, 1949, under the terms of the General Laws, Chapter 167, Section 35a and Chapter 122 of the Acts of 1943.

DIVISION OF INSURANCE REPORT No. 2600

Accounts Receivable: The accounts receivable control accounts contains an amount of \$34,046.96 as still outstanding. This charge was entered in February 1949 and represents the reimbursements due the Division for expenses incurred in examining city and town retirement systems. This amount should be cleared from the accounts in November 1949 when the Commonwealth and the Cities and Towns make their annual settlement.

The accounts receivable control accounts does not reflect the amount of fees due from companies organized in foreign countries and doing business in Massachusetts for filing financial statements as of December 31, 1948. The amounts due from New Hampshire companies as retaliatory fees for 1948 have not yet been entered in Accounts Receivable. It is understood that these invoices will be prepared in July 1949. The amounts due from these sources are estimated to be as follows:

| | |
|---|-------------------|
| Companies having United States branches | \$660.00 |
| Retaliatory fees from New Hampshire companies | 350.00 |
| | <u>\$1,010.00</u> |

It was further noted that accounts receivable control account was overstated by \$40.00 on the date of audit. A bill sent to the No. American Re-assurance Co. on April 7, 1949, for \$20.00 for filing its annual statement should not have been made out as the payment had been received by the Division on March 2, 1949. In addition a bill to the Utica Fire Insurance Company for \$20.00 for filing its annual statements as of December 31, 1948 was paid by them on April 29, 1949, but was credited to another account. The bookkeeper was notified so that the correcting entries could be made.

Other accounts outstanding on the date of audit amounting to \$35,642.33 were paid during the progress of the audit with the exception of one item of \$20.00.

SUPERVISOR OF LOAN AGENCIES REPORT No. 2548

Increase in License Fees: By the authority of the Bank Commissioner, the cost of licenses was increased from \$100.00 to \$150.00.

Bonding of Employees: It was noted the employees were not bonded.

DEPARTMENT OF CIVIL SERVICE AND REGISTRATION GENERAL DEPARTMENT REPORT No. 2592

Professional and Consulting Services: It was noted that the sum of \$30,096.06 was expended during the fiscal year 1948 for professional and consulting services. These records were not examined because of the objection of the Director to submitting them for examination. His objection centered on the confidential nature of the services performed.

BOARD OF REGISTRATION OF ARCHITECTS REPORT No. 2494

Applications on File: Section 44C of Chapter 696 of the Acts of 1941 states as follows:

"The board may make such rules or by-laws, not inconsistent with law, as it may deem necessary in the performance of its duties."

It is the present policy of the board to allow an applicant who has failed the written examination to take another examination without payment of an additional application fee. However, if the applicant has failed a second time then a new fee of \$25.00 must be paid to take another written examination. Once an applicant has taken either an oral or written examination the fee will not be returned.

There are 147 applications now pending, these comprise those entitled to a second examination, those awaiting an appearance before the Board and those whose applications have been disapproved. In the latter case the board notifies the applicant of such disapproval but retains the application in the pending file until the applicant requests a return of the fee. Upon receipt of such a request the fee is refunded by the board.

Fifty-one of the applications now pending have been in the files since 1943. Unless they are reviewed and disposed of a reduction in the pending file cannot be expected.

Unused Renewal Certificates: There is an accumulation of unusable renewal blanks on hand. They are numbered serially and are dated as of prior years. It is recommended that these blanks be destroyed.

BOARD OF REGISTRATION OF BARBERS REPORT No. 2587

General: Section 41 of Chapter 13 of the Tercentenary Edition of the General Laws provides:

"... provided, that the salaries and expenses of the members of the board and the expenses of the board shall not be in excess of the receipts for registration and from other sources received by the state treasurer from the board."

It was noted that the salaries and expenses exceeded the receipts for the two fiscal years 1947 and 1948.

BOARD OF REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS REPORT No. 2538

Departmental Records: Practically all financial records of this board originate in the private office of the Secretary of the Board. The cash book and cash receipts are handled by the personal employee of the Secretary. It was noted that the Secretary of this Board is not bonded nor are any of those individuals who handle the receipts of this agency.

Increase in Expenses: It will be noted from Schedule II of this report, that the expenses of the Board increased from \$2,500.00 in the fiscal year 1947 to \$6,740.74 in the fiscal year 1948. The extra costs can be attributed entirely to a large increase in the number taking the examinations for Certified Public Accountants, which required the hiring of Horticultural and Symphony Halls and added substantially to the costs of marking papers.

BOARD OF REGISTRATION IN CHIROPODY REPORT No. 2593

Fees: Chapter 557 of the Acts of 1948 increased the fees on examinations, renewals and established a reinstatement fee. The changes in the fees are as follows:

| | <i>New Fees</i> | <i>Old Fees</i> |
|----------------------------|-----------------|-----------------|
| Examination | \$25.00 | \$15.00 |
| Re-examination | 5.00 | 2.00 |
| Renewals | 5.00 | 2.00 |
| Re-instatement fee | 5.00 | — |

BOARD OF REGISTRATION OF DENTAL EXAMINERS-REPORT No. 2591

Bonds: It was again noted that the secretary of the Board was not bonded but the head clerk and the senior clerk, who actually handle the office cash, are now bonded by a blanket bond issued to the Division of Registration.

BOARD OF REGISTRATION IN EMBALMING AND FUNERAL DIRECTING
REPORT No. 2589

Examinations: At present a receipt taken from a serially numbered, duplicate copy, receipt form (the fee is not printed on the receipt) is given to those paying fees in currency in the office. If fees are paid by check or are mailed in, no receipt is given. In this connection a previous audit report stated:

"It is advised that a receipt taken from a duplicate copy serially numbered receipt form be given to each person paying an examination fee—the fee to be printed on both the receipt and the stub."

As this recommendation has not been followed, attention is again called to it.

Duplicate Renewals: No fee is charged for a duplicate of a renewal license. Forms have been purchased marked "DUPLICATE NO FEE" one series for Embalmers' renewals, a second for Funeral Directors' renewals, and a third for the combination Embalmer and Funeral Directors' renewals.

In this connection a previous audit report stated:

"In connection with duplicate renewals attention is called to Clause 3 of Section 88 of Chapter 112 of the General Laws, with the recommendation that the Attorney General be requested to render an opinion as to whether or not these duplicate renewals come within the provision of this section. Said Clause 3 reads as follows:

'(3) issue a duplicate certificate of registration upon satisfactory evidence that the original certificate has been lost or destroyed, and the fee therefore shall be five dollars.'

"It is advised that the Attorney General be requested to rule as to whether or not duplicate renewals come within the provision of Section 88."

It was noted that under date of February 26, 1942, the Attorney General

At the request of the staff accountant the above funds were recorded on the books and the funds turned into the State Treasury.

The above practice of holding state funds for such a length of time is not in accordance with Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws which provides that State Revenue shall be paid into the State Treasury daily unless special permission has been granted to pay on a weekly basis.

Nurses Re-Examinations: The present law governing the registration of nurses permits an applicant who has failed in her examination to take one re-examination at no fee within one year from the date of the examination. On the date of audit, it was found that no list of applicants, eligible to take a re-examination had been established, nor any list of applicants whose eligibility for re-examination had expired by reason of having failed to apply within the one-year period. Before a reconciliation of income with certificates issued during the audit period could be effected, the above pertinent information had to be assembled by the office staff, this resulting in considerable delay of the audit.

Nurses Examination: On December 15, 1948, the list of applicants awaiting examination were found to be incorrect, thus making a reconciliation of income with the certificates issued during the audit period impossible of performance. It was found that the applicants who had failed to appear for a scheduled examination were omitted from the above list. Until an applicant takes an examination the fee represents prepaid income and should be included in the list of applicants awaiting examination, unless the fee has been refunded. Here again the audit was delayed until the missing information was assembled by the office staff.

BOARD OF REGISTRATION IN PHARMACY REPORT No. 2558

Current Pending Applications: These items, as of March 22, 1949, consisted of thirty-six applications for examinations for Registered Pharmacists and Assistant Registered Pharmacists, sixteen drug store permits, sixteen for Certificates of Fitness, five for Wholesale Druggists, three for re-instatements and eleven for duplicate certificates.

Pending Applications in the Inactive File: These applications represent one hundred and nine who have failed to appear for examinations.

Deficiencies: Item 1407-03 of Chapter 669 of the Acts of 1948 appropriated \$449.80 to cover deficiencies in the travel expense account.

Reinstatement Renewal Registrations: Section 3 of Chapter 502 of the Acts of 1945 requires all Registered Pharmacists and Registered Assistant Pharmacists to have their certificates annually renewed by registration, by the Board, upon the payment of an annual renewal fee of \$2.00 on or before the last day of the expiration of their present registration. On January 1st of each year, the Board removes from its register the names of all those who have failed to comply with the above provision of the law. Section 3 further provides that any Registered Pharmacist or Registered Assistant Pharmacist who have had their names removed from the register for failure to renew their registration on time, may have their names restored to the register by submitting a properly executed request, together with a \$5.00 fee.

In conformance with a suggestion appearing in the previous audit report a special serially numbered re-registration certificate has been set up.

BOARD OF REGISTRATION OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS REPORT No. 2541

Income: Income for the 1947 fiscal year was \$60,745.95 as compared with \$15,321.20 for the 1946 fiscal year. The large increase in 1947 income resulted from provisions of Section 4, Chapter 643, Acts of 1941. This section requires that any professional engineer or land surveyor shall be registered without oral or written examination, provided application is filed and fee paid within five (5)

years after the date of the first board meeting. The five year period expired January 7, 1947. Income for the 1948 year amounted to \$6,879.80 as the activity of board returned to a normal basis.

BOARD OF REGISTRATION IN VETERINARY MEDICINE REPORT No. 2594

Pending Applications: It was again noted that there was one pending application filed in June 1940 still awaiting examination. The fee of \$15.00 had been paid and deposited with the State Treasurer.

DEPARTMENT OF CONSERVATION

GENERAL DEPARTMENT REPORT No. 2597

Advance Money: The previous audit report commented in detail upon the condition found at the time of the previous audit and quoted Sections 23 and 24 of Chapter 29 of the General Laws. As of the date of the current audit the following conditions were noted:

1. Cash is often expended from accounts where there are insufficient balances in the accounts. (See Schedule No. II)
2. Returns of Advance monthly reports include expenditures against anticipated future receipts of Advance Money, and not the actual cash on hand available at the time the expenditures were made.
3. Monthly reports of Returns of Advances in many cases include expenditures made and recorded subsequent to the date shown on the monthly report.
4. Monthly reports of Returns of Advances are not forwarded to the Comptroller on the date compiled, but are retained in the department until the amounts of anticipated receipts from the State Treasurer have been received.
5. All advances are deposited in one bank account, against which two series of checks are drawn, one for pay rolls and the other for expenses.
6. Semi-monthly pay roll expenditures are recorded in the Cash Disbursements—but—with no entry made for the amount of Withholding Taxes and Retirement Deductions being recorded, thereby allowing these funds to be available for expenditures of other items.
7. Department records are maintained in such a manner that it was impossible to reconcile the funds on hand without interpretation of entries by the Head Bookkeeper of the department.
8. When the Head Bookkeeper was asked about certain entries on the department records, it was advised that the entries were subsequent to the period of audit and were of no interest to the Auditors.

Based upon the conditions noted previously the following recommendations are made:

1. Monthly reports of Returns of Advances reflect only the accounts of actual recorded receipts and expenditures for the periods covered by the reports.
2. Requests for advances be made for sufficient amounts to eliminate the mis-use of accounts balances.
3. Receipts and/or refunds of disallowed items be recorded individually in the Cash Book by account number.
4. Expenditures be recorded individually in the Cash Book by account numbers.
5. A pay roll bank account be opened, in which the gross amount of pay rolls will be deposited and against which pay roll checks will be drawn.

Allotment Expenditure Control Register: An Allotment Expenditure Control Register is maintained in the central bookkeeping office of the department of the following divisions:

1. Administration
2. Marine Fisheries
3. Forestry
4. Law Enforcement

The division of Parks and Recreation maintain an Allotment Expenditure Control Register in that division.

An Accounting Manual, issued by the Comptroller's Bureau, is on file and available for the assistance and guidance of the personnel in the central bookkeeping office. However, the procedures as outlined in this accounting manual in reference to Encumbrances and Liquidations of Allotments is not being followed by the department.

The attention of the department officials is specifically called to pages 35 to 40 inclusive, of the Accounting Manual, a copy of which is on file in the Central Bookkeeping Office.

Accounts Receivable with Attorney General: Attention of the department officials is called to page 43 of the Accounting Manual, relative to the procedure to be followed when accounts are forwarded to the Attorney General for collection.

Division of Parks and Recreation: Receipts from tenants in houses located at the Bradley Palmer State Park in payment for electricity used by the tenants are recorded as refunds. It is felt that this type of receipt is Income and it is recommended that the advice of the Comptroller be requested by the department with respect to the proper handling of this money.

Bonded Positions: At the present time, there are only four positions bonded. Comment on this condition appeared in the previous audit report and at that time it was suggested that all employees handling funds be bonded.

As a result of a review made by the Director of Parks and Recreation for the division a request was made, in the supplementary budget for the fiscal year 1950, for an appropriation for funds to meet the premium of a faithful performance and fidelity position schedule bond.

It was realized, however, there has been no change in the Division of Forestry, where none of the employees in this category are bonded.

Parks and Salisbury Beach Reservation Fund: Under authority of Sections 4, 5 and 6 of Chapter 132A of the General Laws (Tercentenary Edition), as amended, the Comptroller annually estimates the amount of "State Parks Assessments" so-called, against certain cities and towns in the Commonwealth. On June 30, 1948 there was an accumulated surplus from this source of \$57,210.64, as shown by the records of the Comptroller.

It is recommended that the Comptroller's Bureau be requested to open accounts in the General Ledger so that this surplus may be recorded on the financial records of the department.

Receiving Records: The previous audit report stated:

"At present, the receiving records consist of the following—there is a so-called "Receivers Copy" for the State Purchase Bureau purchase orders, and for departmental purchase orders, which are signed by the person receiving the merchandise, but for N. P. O. purchases the receipt of the merchandise is indicated by the signature of the person receiving the goods on the invoice itself.

"It is recommended that the Comptroller's Bureau be requested to provide the standard duplicate copy receiving book, which should be used in all places where merchandise is received."

As this recommendation has not been adopted, attention is again called to it.

Central Bookkeeping Office: The previous audit report stated:

"The central bookkeeping office was established in 1940, and it is recommended that the Comptroller's Bureau review the entire bookkeeping set up of the department to determine whether some of the detail now being done in the central bookkeeping office is not being duplicated in the several divisions."

The central bookkeeping office has seven employees. From a table of organization supplied by the Head Bookkeeper, the following pay roll titles are applicable to the seven employees:

| | |
|--|---|
| Head Bookkeeper | 1 |
| Principal Clerk and Secretary to department head | 1 |
| Principal Clerk | 1 |
| Senior Clerk | 1 |
| Junior Clerk and Stenographer | 2 |
| Junior Clerk and Typist | 1 |

In addition to these seven employees, there are two Junior Clerks who work in the office of the Commissioner, who perform some duties for the central bookkeeping section.

United States Savings Bonds Account: There have been no entries in the general ledger accounts for this Trust Fund since December 1947. The head bookkeeper stated that there was no time available to make the monthly postings from the cash book maintained for this fund and so long as the cash book balance agreed with the bank account and the employees pay roll deduction cards, there wasn't any necessity of maintaining general ledger accounts.

Stores Accounts: It is again recommended that the Comptroller's Bureau set up a control account in the general ledger for unissued supplies kept in the storehouse at Stow.

DIVISION OF FISHERIES AND GAME REPORT No. 2610

Inland Fisheries and Game Fund: It is recommended that the fund established under authority of Section 3A, of Chapter 131 of the General Laws, be recorded upon the financial records of this division.

Income: As of the date of audit, no returns of the receipts from the sales of licenses by the town of Newbury for the period from January 1, 1948 to March 31, 1949 had been received by the division.

DEPARTMENT OF CORPORATIONS AND TAXATION GENERAL DEPARTMENT REPORT No. 2595

Income Tax Assessments: Prior to 1947, income tax assessment warrants were prepared in the Assessing Section of the Income Tax Division and sent to the Collector's Office, together with the individual taxpayers bills. The bills were entered on the ledger cards and then mailed by the Collector's Office. Beginning with the 1947 year, the preparation of warrants in the Assessing Section was discontinued and the assessments were established in the Collector's Office, (subject to verification) from the taxpayers return coupons in those cases where the taxpayer enclosed full or partial payments with the tax return. Briefly the present arrangement is this—the coupons are recorded, then sorted and sent to the nineteen ledger clerks, who periodically list them on warrants, the warrants are entered in the master books and the subcontrol ledger, but not currently in the control ledger. In June of each year the income tax assessments for the year ending the following November 30 are estimated and this estimate is entered in the control ledger and adjusted November 30 when the exact total assessment is known. In those cases where a tax return is received without a remittance, the returns are segregated and sent to the assessing division, which subsequently sends assessment warrants on these cases to the Collector's Office, together with any additional assessments resulting from a review of the tax returns.

It was understood that the reason for the change was the inability of the Assessing Section to get the assessment warrants and the taxpayers bills to the Collector's Office by September 1, the date the bills apparently are required to be mailed.

However, regardless of the reasons, it is stated that from an accounting point of view assessments should not be established in the Collector's Office.

Also under the present arrangement it is difficult, if not impossible, to get an independent verification of the assessments as a basis of audit.

Trial Balances of Accounts Receivable, November 30, 1948—Income Taxes: It was noted that the balance in the control account, the subcontrol accounts and the 19 master books were in agreement, but of the 19 taxpayers' ledgers, as late as June 24, 1949, only one was in reconciliation with the master book, the condition of the other 18 being as follows:

| | |
|-----------|----------------------------|
| 3 Ledgers | 1 Tax year out of balance |
| 3 Ledgers | 2 Tax years out of balance |
| 6 Ledgers | 3 Tax years out of balance |
| 1 Ledger | 4 Tax years out of balance |
| 2 Ledgers | 5 Tax years out of balance |
| 2 Ledgers | 6 Tax years out of balance |
| 1 Ledger | 8 Tax years out of balance |

Trial Balances of Accounts Receivable, — Corporation and Miscellaneous Taxes: It was noted that the balances in the control accounts for Domestic Corporation Taxes, Gasoline Taxes, and Meal Taxes were not in agreement with the respective master books, the variances however being small. In the case of Domestic Corporation Taxes, the trial balance of the taxpayers' ledger was out of balance with the master book for the tax years of 1938 to 1949 inclusive, in the case of Foreign Corporation Taxes, the trial balance of the taxpayers' ledger was out of balance with the master book for the tax years of 1944, 1947 and 1948, and the trial balances of the taxpayers' ledgers for Gasoline, Inheritance and Estate Taxes were also out of balance with the respective master books.

From this it would appear that the accounts receivable ledgers are not in a satisfactory condition and it is suggested that necessary steps be taken to correct the situation.

Meals Tax Abatements: These abatements are granted by the Director of Meals Taxes and many of them result from additional taxes assessed following an audit of the accounts of the particular eating place. Apparently Chapter 64B of the Tercentenary Edition of the General Laws, which is the authorization for the meals tax is silent as to abatements, consequently it would seem that abatements should be sent to Appellate Tax Board for final approval.

Accounts with Attorney General for Collection: The Collector of Taxes in the Department now has authority, in all types of taxes except Inheritance Taxes, to issue demands and warrants for the collection of taxes, consequently the only types of taxes now with the Attorney General for collection are Inheritance Tax cases.

On April 8, 1949, there were 399 Inheritance Tax cases totaling \$111,429.92 with the Attorney General for collection which represent items billed from the year 1893 through the year 1945.

It is suggested that the Attorney General be asked if it is not possible to clear at least some of these cases.

Annual Transfer of \$1,500,000.00 from Income Tax Collections to General Revenue: It was noted that beginning with the 1935 year and through the 1948 year the sum of \$1,500,000.00 of income tax collections were paid over to the State Treasurer as Public Service Tax receipts and credited to general revenue. This transfer of income tax collections to general revenue was made under the provisions of Chapter 307 and 357 of the Acts of 1933. The pertinent sections of said chapters read as follows:

Section 9 of Chapter 307 of the Acts of 1933 as amended by Section 1 of Chapter 285 of the Acts of 1943 reads:

"SECTION 9. Income received by an inhabitant of the Commonwealth during the years nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five from dividends on shares in all corporations, joint stock companies and banking associations, organized under the laws of this commonwealth or under the laws of any state or nation, except co-operative banks, building and loan associations and credit unions chartered by the commonwealth and except savings and loan associations under the supervision of the commissioner of banks, and income received by any inhabitant of the commonwealth during the years nineteen hundred and thirty-six, nineteen hundred and thirty-seven, nineteen hundred and thirty-eight, nineteen hundred and thirty-nine, nineteen hundred and forty, nineteen hundred and forty-one, nineteen hundred and forty-two, nineteen hundred and forty-three, nineteen hundred and forty-four and nineteen hundred and forty-five from such dividends, other than stock dividends paid in new stock of the company issuing the same, shall be taxed at the rate of six per cent per annum. Inhabitant of the commonwealth shall include (a) estates and fiduciaries specified in sections nine, ten, thirteen and fourteen of chapter sixty-two of the General Laws, (b) partnerships specified in section seventeen of said chapter sixty-two, and (c) partnerships, associations or trusts, the beneficial interest in which is represented by transferable shares, specified in paragraphs entitled First, Second and Third of subsection (c) of section one of said chapter sixty-two. Except as otherwise provided in this section, the provisions of said chapter sixty-two shall apply to the taxation of income received by any such inhabitant during said years. Subsection (b) of section one of said chapter sixty-two shall not apply to income received during said years."

Section 4 of Chapter 357 of the Acts of 1933 reads:

"SECTION 4. Section eighteen of chapter fifty-eight of the General Laws shall not apply to any taxes upon dividends made taxable by this act and not heretofore taxable under said chapter sixty-two, which taxes shall be retained by the commonwealth; but said section eighteen shall continue to apply to taxes upon dividends taxable under this act which have heretofore been taxable under said chapter sixty-two. Notwithstanding the provisions of section eleven of chapter three hundred and seven of the acts of the current year, the proceeds of all taxes collected by the commonwealth under section nine of said chapter on dividends on shares in all corporations and joint stock companies organized under the laws of any state or nation other than this commonwealth, except banks which are subject to taxation under section two of chapter sixty-three of the General Laws, which dividends were made taxable by said section nine and were not taxable prior to the effective date of said chapter three hundred and seven, shall be retained by the commonwealth."

Section 9 of Chapter 307 of the Acts of 1933 discontinued the income tax exemptions provided in the last clause of Section 1 (b) of Chapter 62 of the Tercentenary Edition of the General Laws, which reads in part as follows:

"... and except such foreign corporations as are subject to a tax upon their franchises payable to the commonwealth under section fifty-eight of chapter sixty-three."

It was understood that the amount of \$1,500,000.00 was based on the amount of taxes paid prior to the 1933 year by a certain foreign telephone corporation, whose dividends became taxable on the passage of Chapter 307 of the Acts of 1933, which act was passed after the foreign telephone company in question discontinued the payment of a franchise tax.

Cigarette Tax Division—Unpaid Renewal Fees, Vending Machine Plates: A reconciliation of the Income from Vending Machine Plates with the cash collections from that source disclosed that two Vending Machine Operators failed to pay the renewal fees of \$176.00 due on a number of Vending Machines, apparently in their possession on July 1, 1948, the beginning of the renewal period, as follows:

| | LICENSEE No. 70 | LICENSEE No. 73 |
|--|--------------------|--------------------|
| Vending Machine Plates in their possession, July 1, 1947 | 1,400 | 1,500 |
| New Plates Purchased, July 1, 1947 to June 30, 1948 | 100 | 300 |
| Plates Attached to Vending Machines, Purchased from other Vending Machine Operators, July 1, 1947 to June 30, 1948 | 222 | 204 |
| | 1,722 | 2,004 |
| Vending Machines sold to other Vending Machine Oper- ators, July 1, 1947 to June 30, 1948 | 6 | 44 |
| | 1,716 | 1,960 |
| Add: New Plates Purchased, July 1948 | 100 | — |
| Total Plates, apparently in their possession | 1,816 | 1,960 |
| Plates Sold per Cash Records | 1,700 | 1,900 |
| Unpaid Plates | 116* | 60* |

*Plates \$1.00 each.

The rules and regulations of the Division required all Vending Machine Operators to file a Cigarette Vending Machine Location List within two weeks of date of receipt of annual licenses, yet neither of the above licensees have ever filed the above required reports for the seven fiscal years beginning July 1, 1942 to July 1, 1948, thus making it impossible to determine the exact number of Vending Machines on Location on the date of audit or July 1, 1948.

However, beginning with July 1, 1949, a monthly report will be required from all Vending Machine Operators, which will provide a control over vending machines.

Cigarette Tax Division—Cash on Hand: On the date of audit there were 61 license applications on hand with cash or checks attached, as follows:

| AGE OF APPLICATIONS | NO. OF APPLICATIONS | CASH ON HAND |
|---------------------|------------------------|-----------------|
| February 1947 | 1 | \$ 1.00 |
| February 1948 | 1 | 1.00 |
| June 1948 | 1 | 1.00 |
| July 1948 | 3 | 3.00 |
| September 1948 | 2 | 2.00 |
| October 1948 | 6 | 6.00 |
| November 1948 | 2 | 2.00 |
| December 1948 | 4 | 4.00 |
| January 1949 | 4 | 5.00 |
| February 1949 | 11 | 11.00 |
| March 1949 | 26 | 164.00 |
| | <u>61</u> | <u>\$200.00</u> |

Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws requires all monies received on account of the Commonwealth to be paid daily into the treasury, unless granted permission by the Commission on Administration and Finance and the State Treasurer to be paid weekly into the treasury.

Distribution of Corporation Tax Collections to Cities and Towns: Prior to the 1947 fiscal year, Corporation Tax Collections were distributed to cities and towns under the provisions of Section 20 of Chapter 58 of the Tercentenary Edition of the General Laws.

Beginning with the 1947 State Fiscal Year and continuing through the 1949 State Fiscal Year, the amount of corporation tax receipts to be distributed to the cities and towns was included in the annual appropriation act.

Item 2501-02 of Chapter 198 of the Acts of 1948, which provided appropriations for the fiscal year ending June 30, 1949, read as follows:

2501-02 Notwithstanding any provision of law regulating the determination of the total amounts of receipts from taxes paid by domestic business and domestic manufacturing corporations and foreign

manufacturing and other foreign corporations to be paid to cities and towns, heretofore paid without appropriation, the sum of twenty-seven million dollars is hereby appropriated from the General Fund for payments of the amounts due to them from such receipts, and the total amounts to be paid by the state treasurer, on or before November thirtieth, nineteen hundred and forty-eight, from the sum herein appropriated, shall be not less than fifteen million dollars; provided, that a sum equivalent to the expenditures under this item shall be transferred from said receipts to the General Fund. . . . \$27,000,000.00.

A statement showing the distribution of corporation tax receipts to the cities and towns for the period of July 1, 1948 through June 30, 1949 follows:

CORPORATION TAXES—AGENCY FUND

| | July 1, 1948 through June 30, 1949 | |
|---|------------------------------------|------------------------|
| Balance July 1, 1948 | | \$16,293,036.95 |
| Receipts for period | | 36,678,400.11 |
| | | <u>\$52,971,437.06</u> |
| Less: | | |
| Refunds | | 1,825,007.77 |
| | | <u>\$51,146,429.29</u> |
| CREDIT | | |
| Tax Receipts Distributed to Cities and Towns: | | |
| July 2, 1948 | \$2,992,301.76 | |
| July 11, 1948 | 6,000,000.00 | |
| November 3, 1948 | 6,007,698.24 | |
| January 3, 1949 | 9,006,291.88 | |
| April 13, 1949 | 2,993,708.12 | |
| | <u>\$27,000,000.00</u> | |
| Tax Receipts Retained by the Commonwealth: | | |
| July 1, 1948 | \$1,200,000.00 | |
| November 3, 1948 | 1,201,539.65 | |
| April 13, 1949 | 590,276.56 | |
| June 29, 1949 | 3,500,000.00 | |
| | <u>6,491,816.21</u> | |
| Balance June 30, 1949 | | 17,654,613.08 |
| | | <u>\$51,146,429.29</u> |

Apparently it was the opinion of the Department of Corporations and Taxation that the appropriation item previously quoted placed a limitation of \$27,000,000.00 on the amount of corporation tax collections that may be distributed to the cities and towns during the fiscal year ending June 30, 1948.

Distribution of Income Tax Collections to Cities and Towns: Prior to the 1947 fiscal year Income Tax Collections were distributed to cities and towns under the provisions of the Tercentenary Edition of the General Laws, Chapter 58, Section 18, but beginning with the 1947 state fiscal year and continuing through the 1949 state fiscal year, the amount of income tax receipts to be distributed to the cities and towns was included in the annual appropriation act.

Item 2501-01 of Chapter 198 of the Acts of 1948, which provided appropriations for the fiscal year ending June 30, 1949, reads as follows:

2501-01 Notwithstanding any provision of law regulating the determination of the total amount of receipts from income taxes to be paid to cities and towns without appropriation, the sum of twenty-eight million dollars is hereby appropriated from the General Fund for payment of the amounts due to them from such receipts, and the total amounts to be paid by the state treasurer on or before November twentieth, nineteen hundred and forty-eight from the sum herein appropriated, shall be not less than nine million, nine hundred thousand dollars; provided, that a sum equivalent to the expenditures under this item shall be transferred from said receipts to the General Fund. . . . \$28,000,000.00.

It should be noted that both Section 18 of Chapter 58 of the Tercentenary

Edition of the General Laws and the appropriation Item 2501-01 of Chapter 198 of the Acts 1948 provide that the State Treasurer shall make the distribution of income tax receipts to the cities and towns and not the Department of Corporations and Taxation. However, actually the distributions are made by the State Treasurer from schedules furnished by the Department of Corporations and Taxation.

A statement showing the distribution of income tax receipts to the cities and towns for the period of July 1, 1948 through June 30, 1949 follows:

INCOME TAX RECEIPTS—AGENCY FUND

July 1, 1948 through June 30, 1949

| | | | | | | |
|--|---|---|---|---|---------------|------------------------|
| Balance July 1, 1948 | . | . | . | . | . | \$ 7,507,494.48 |
| Tax receipts for the period | . | . | . | . | . | 36,656,730.92 |
| Receipts—sale of paper | . | . | . | . | . | 147.80 |
| | | | | | | <u>\$44,164,373.20</u> |
| Less—refunds of taxes | . | . | . | . | . | 159,646.74 |
| | | | | | | <u>\$44,004,726.46</u> |
| Tax Receipts Distributed to Cities and Towns: | | | | | | |
| July 21, 1948 Hinsdale | . | . | . | . | \$ 1,351.85 | |
| September 17, 1948 Charlton | . | . | . | . | 7,000.00 | |
| November 3, 1948 | . | . | . | . | 9,891,648.15 | |
| January 3, 1949 | . | . | . | . | 6,000,000.00 | |
| April 13, 1949 | . | . | . | . | 12,100,000.00 | |
| | | | | | | <u>\$28,000,000.00</u> |
| Estimated Charge for Expenses of Income Tax Division | | | | | | 1,146,000.00 |
| | | | | | | <u>\$29,146,000.00</u> |
| Balance June 30, 1949 | . | . | . | . | . | 14,858,726.46 |
| | | | | | | <u>\$44,004,726.46</u> |

Apparently it was the opinion of the Department of Corporations and Taxation that the appropriation items previously quoted placed a limitation of \$28,000,000.00 on the amount of income tax collections that may be distributed to the cities and towns during the fiscal year ending June 30 1949.

Tax Distribution for 1950: In connection with the foregoing comment it was noted that the 1950 budget also included a comparable item for distribution of these taxes for the 1950 fiscal year. This item was vetoed by His Excellency, the Governor.

Tax Distribution to Cities and Towns: In January of each year the State Department of Corporations and Taxation gives to each city and town of the Commonwealth an estimate of the amount that will be distributed to them during the calendar year as their share of tax revenues. The two principal sources of such income are:

- 1) Receipts from income taxes. All funds received from these sources less the state's cost of collection are distributed to the cities and towns.
- 2) Receipts from corporation taxes. This income is divided roughly—one sixth to the Commonwealth—five sixths to the cities and towns.

It was noted that the January 1949 estimate made by the Department of Corporations and Taxation of funds available for distribution during this calendar year amounted to \$60,700,000.00 which amount appears to be far less than the total that will be available.

Distributions to July 2, 1949 were as follows:

| | | CORPORATION TAXES | INCOME TAXES | TOTAL |
|-----------------|--|------------------------|------------------------|------------------------|
| January 3, 1949 | | \$9,006,291.88 | \$ 6,000,000.00 | \$15,006,291.88 |
| April 13, 1949 | | 2,993,708.12 | 12,100,000.00 | 15,093,708.12 |
| July 1, 1949 | | 4,700,000.00 | — | 4,700,000.00 |
| July 2, 1949 | | 9,000,000.00 | 10,900,000.00 | 19,900,000.00 |
| Total | | <u>\$25,700,000.00</u> | <u>\$29,000,000.00</u> | <u>\$54,700,000.00</u> |

From the above figures it will be noted that a further distribution of only

\$6,000,000.00 will be necessary to reach the original estimate made in January by the Department of Corporations and Taxation to the cities and towns.

Attention is directed to the fact that after distributions of July 1st and 2nd are completed there will still be available from the June 30, 1949 balance a total of \$3,958,726.46 from income tax collections and \$3,954,613.08 from corporation taxes, representing a total of \$7,913,339.54 still undistributed. If an estimate of further receipts from these two sources for the rest of the calendar year to December 31, 1949, is added to this balance it is obvious that an amount of more than \$30,000,000.00 will still be available for distribution from which only \$6,000,000.00 will be necessary to meet the original estimate of \$60,700,000.00.

While it is true that local interests are fully protected and that these funds will eventually reach the cities and towns, it is also true that a more accurate estimate in January by the Department of Corporations and Taxation of monies available for distribution would have substantially reduced the tax rates in every city and town in the Commonwealth since all local tax rates recently announced have been based on the estimate of \$60,700,000.00 originally supplied and it is obvious that this figure is at least 30% lower than it should have been.

Balances thus withheld from distribution to the cities and towns have increased substantially from \$239,182.73 held at the end of the state fiscal year of 1941 to \$32,513,339.54 retained as of June 30, 1949. It is worthy of comment that the funds thus held have been retained entirely at the expense of the cities and towns since the Commonwealth has always promptly taken the state's share of these receipts.

It has been indicated in the past that these balances have been retained to provide funds for abatements and repayments. Attention is directed to the fact that the largest amount needed by the Commonwealth in recent years for abatement of corporation taxes amounted to \$1,935,632.15 in 1945, while the largest amount repaid on account of income taxes was \$183,094.25 in 1948. Certainly the sums that have been retained are far in excess of these needs.

Attention is further directed to the fact that the corporation taxes discussed herein have no connection with certain corporation surtaxes which are reserved exclusively as income to the General Fund and the Veterans' Services Fund.

Miscellaneous Taxes, Assessments and Abatements: Some difficulty was experienced in verifying the assessments and abatements entered in the control ledger from the records in the several sections. It is suggested that a uniform method be established namely, that abatement slips sent to the collector's office be accompanied by a schedule, which will show a total and that after this total has been verified to the individual abatement slips, it will be the basis of entry in the control account. This arrangement is now in effect for income taxes and has proved satisfactory.

Railroad Companies—Unpaid Taxes: It was noted that on date of audit the Boston Terminal Company owed to the Commonwealth unpaid Railroad Company Taxes totalling \$204,132.90. This total represents taxes accumulated since 1939.

APPELLATE TAX BOARD REPORT No. 2576

Bond of Employees: It is recommended that the name of the hearing stenographer be dropped from the bond as she no longer handles any cash. The name of another employee who now handles cash should be substituted.

DEPARTMENT OF CORRECTION

GENERAL DEPARTMENT REPORT No. 2590

General: An overage of \$2.31 was noted in the balancing of the cash. The bank account had not been reconciled since the present bookkeeper took over the duties on July 1, 1948. Many errors were noted in the footings of the check book before the bank statement was finally reconciled with the check book balance.

Parole Board—Assistance to Discharged Prisoners: The records of the Par-

ole Board show that during the period covered by this audit \$159.06 was given to discharged prisoners as loans or gifts. During the same period \$59.00 was repaid by discharged prisoners.

Central Index: It was noted that an appropriation for \$1,000.00 was made and paid to the Greater Boston Community Council for services rendered in furnishing information concerning persons known to that agency.

MASSACHUSETTS REFORMATORY REPORT No. 2564

Canteen: It was noted that unpunched tickets belonging to inmates who are no longer at the institution were returned to Inmates' Fund Account and later transferred to the State Treasurer as unclaimed Inmates' Funds.

It was also noted that federal old age taxes are now being withheld on the one civilian employee in the canteen. These amounts together with necessary pay roll tax returns are remitted to the United States Government at the prescribed times.

Heat, Light and Power: Previous audit reports have commented on the rate charged for heat, light and power supplied to the industries by the maintenance section. While there has been no change in rates, the monthly charge to Industries has been increased from \$1,688.00 to \$2,527.48. This new charge is due to increased cost and use of elements making up the total charge, such as coal, oil, electricity, wages, etc.

Accounts Receivable—Maintenance: It was noted that a previous recommendation in regard to old accounts prior to 1940 has been carried out. These accounts have been transferred from the active to the suspense accounts receivable.

House rents have been paid currently with the exception of two cases. One of these was three months and the other was four months in arrears on date of audit. The latter, however, paid up for one month while the current audit was in progress.

The delinquent rentals, together with several old auto shop accounts receivable were discussed with the Superintendent. It is understood he will take the necessary steps to have like items collected when due.

Inmates' Funds: Included in the funds on hand March 8, 1949 is the amount of \$13.06 belonging to inmates who are no longer at the reformatory. These funds should be disposed of in accordance with the statute.

Sales Slips: A previous audit report called attention to the improper method of handling maintenance sales slips.

The current audit indicates that the sales slips are being properly handled and charged in the month the sale actually occurs.

Industries Section: It was noted that the industries raw materials inventory dated March 31, 1949 showed an apparent shortage of approximately 2300 square feet of pine lumber worth approximately \$185.00. The furniture shop does not show any pine lumber as being used since December 31, 1948, the date of the previous inventory.

Inasmuch as this lumber was stored in the reformatory yard close to a pile of "maintenance" lumber, it is probable that it was used for "maintenance" purposes. If it can be determined that "maintenance" actually used this lumber it would seem proper for "industries" to be reimbursed for its value.

Attention is also called to spoilage of woolen blankets while they were being stored. A bursting steampipe wet and damaged blankets with an approximate value of \$700.00.

Mildew set in before the damage was noted and it is understood they will have no salvage value.

Inmates' Funds: Included in this fund December 1, 1947 was the sum of \$801.90 in an account called, "Sundry Persons Accounts". This account was

REFORMATORY FOR WOMEN REPORT No. 2602

composed of miscellaneous receipts and payments which cannot be directly allotted to any individual inmates' account such as:

- Interest on bank account
- Donations
- Service of divorce libels
- Sale of unclaimed articles, eye glass cases and linen to inmates

This account has been disposed of as follows:

In May 1948, part of this fund amounting to \$57.71, which came from service of divorce libels and unclaimed monies was turned over to the State Treasurer as miscellaneous income; \$82.05 was used to close out overdrawn accounts, and the balance was transferred to the canteen fund as miscellaneous income.

Storeroom Audit: A test inventory of the materials and supplies was taken on the date of audit, May 9, 1949. Figures for complete reconciliation purposes were not available while the audit was in progress, therefore, the inventory was not proved. The ledgers were then examined to determine their condition. The resulting figures which were computed in connection with the audit showed wide variances between the balances and the physical inventory as taken. The ledger value of articles taken in the test inventory was \$2,041.78, overages totaled \$208.89, or 10%, and shortages \$356.61, or 17.4%. The total variation was 27.6%.

The handling of farm produced pork and beef is not in conformance with the regulations in the Comptroller's Manual in that no control in the stock ledger is available.

During the period of the audit there have been four persons employed as stock clerks, each one taking over the work with but little instruction. The present incumbent took over the work only a week before the date of audit.

It was noted that in certain instances the average stock ledger unit prices varies considerably within specific commodities, for example:

| | | | AVERAGE PRICE PER UNIT |
|--------------------|----------|------|---------------------------|
| Hams and Shoulders | April | 1949 | \$.05 |
| | May | 1949 | 1.845 |
| Sausages | April | 1949 | .2944 |
| | May | 1949 | .7232 |
| Turkey | December | 1948 | .5345 |
| | January | 1949 | 7.788 |
| Chicken | February | 1949 | .6327 |
| | March | 1949 | 1.679 |
| | April | 1949 | .469 |
| Vanilla Pudding | November | 1948 | .13 |
| | December | 1949 | .02 |
| Baking powder #5 | January | 1949 | .17 |
| | February | 1949 | 1.09 |

Canteen: In the comments under the heading of Inmates' Fund, reference is made to the transfer of unallocative funds from those funds to the canteen fund. This transaction bears the approval of the business agent in the Department of Correction. This is apparently contrary to item #10 of the Departmental regulation covering canteens which states:

"Receipts except those from sales of merchandise are not to be included in Canteen Funds."

A complete inventory was taken on May 9, 1949 of merchandise for sale. The resulting reconciliation of the physical inventory and the ledger balance showed a shortage of \$151.25. This is an average of about \$9.00 per month and is quite large for a canteen of this size and type where practically no perishable merchandise is sold. The spoilage appears to be correctly handled. A second inventory was taken on May 17, 1949 and the only variation from the regular inventory was caused by a few sales during the ensuing period. All invoices were checked with regard to the selling prices and while numerous clerical errors were noted, the net result was an increase in the book inventory figures of \$49.14 and a final audit shortage of \$200.39, or an average of approximately \$12.00 per month.

Farm: Herd records were found to be in a confused condition, lacking dates, breeding information, etc. The present head farmer is presently engaged in an effort to bring these records into better condition.

It was noted that bull #1343 was leased to Grafton State Hospital on June 11, 1947 for 18 months. This lease expired on December 11, 1948, yet no record appears anywhere of the return of this bull. It was determined that the bull had been transferred to the Norfolk Prison Colony, apparently without consulting the Reformatory officers and it is understood that the bull was slaughtered at Norfolk on May 10, 1949. It would seem that some reimbursement should be forthcoming to this institution.

Farm products sent to the storeroom as shown in the annual farm report do not agree in value with the corresponding account in the general ledger in the amount of \$377.88. This was due to clerical errors and the failure to charge the institution with string beans and tomatoes which were canned. It was also noted that 1,024 tons of garbage were fed to the swine during the 1947 and 1948 years for which no charge was made in the annual report. As this garbage replaces a certain amount of expensive grains, it is suggested that some charge should be made.

The 1947 milk production was low and was apparently caused by poor breeding and an epidemic of mastitis in the herd.

In the 1948 year with new personnel together with the elimination of the diseased animals the production increased 20,900 quarts. The average number of cows in 1948 was 4.79 fewer than in 1947.

Due to a change in the coding of farm expenses effective in the middle of the 1948 year, it was impossible to reconcile the various expense items in the farm ledger with the financial report farm section in detail. However, the total payments were found to be in agreement.

The present farmer has requested that he be allowed three additional farm hands. He has been allowed one additional hand beginning July 1, 1949. An examination of the institution pay roll indicates two men designated as farm hands who apparently do no farm work. One drives the truck which picks up and delivers the laundry and the other works around the grounds.

Industries: In order to avoid future losses through the failure to pay for flags and other merchandise purchased from the Industries, the Commissioner of Correction has agreed to issue instructions that all retail sales be on a cash basis.

Included in the Suspense Accounts Receivable are several accounts which on examination appear to be creditable were referred to Attorney General's Department. As no results have been obtained it is suggested that the Attorney General again be confronted relative to their disposition.

Industries—Loss in Poultry Industry: For the fiscal year 1948, the poultry industry suffered a loss of \$2,306.09. An examination of the records reveal that the principal factor in this loss is the selling of eggs at the prices set by the purchasing bureau. Section 58 of Chapter 127 of the General Laws provides:

"The price of all articles and materials supplied by the prisons of the commonwealth, counties, cities and towns shall conform as nearly as may be to the wholesale market rates for similar goods manufactured outside the prisons."

Following is a comparison of certain prices charged by the industry and wholesale market prices:

| DATE | SALES SLIP NUMBER | QUANTITY | INDUSTRY PRICE | BOSTON WHOLESALE PRICE |
|-------------------|-------------------------|-----------|-------------------|------------------------------|
| December 12, 1947 | 1378P | 600 dozen | \$.53 | \$.62 |
| January 14, 1948 | 1570P | 240 dozen | .50 | .53 |
| February 6, 1948 | 1728P | 300 dozen | .46 | .50 |
| March 9, 1948 | 1914P | 240 dozen | .42 | .51 |
| April 1, 1948 | 2055P | 240 dozen | .43 | .49 |
| May 11, 1948 | 2409P | 240 dozen | .41 | .49 |
| June 11, 1948 | 2679P | 240 dozen | .45 | .61 |

The comparative statement indicates that the average sales price of eggs was at least 7 cents below the Boston wholesale price for the 1948 year. The sales for the 1948 fiscal year were 38,635 dozen eggs which, if sold at an additional sum of 7 cents would have brought in \$2,704.45, more than sufficient to offset the loss maintained for the year.

A statement of poultry sales and unit cost prices was compiled from the records for the period between December 1, 1947 and April 30, 1949 as follows:

| | UNIT COST | | | | | |
|---------------------------------|-------------|------------|-----------------|------------|--------------|------------|
| | EGGS (EACH) | | CHICKEN (POUND) | | FOWL (POUND) | |
| Lowest monthly cost for period | \$.0178 | Sept. 1948 | \$.1903 | Sept. 1948 | \$.1625 | Sept. 1948 |
| Highest monthly cost for period | .0915 | March 1948 | .9237 | Dec. 1948 | .8653 | Apr. 1948 |
| Average monthly cost for period | .0500 | | .4587 | | .5049 | |

The foregoing figures would indicate that the present method of arriving at unit cost prices is inaccurate and impractical. A review of the present method of computing costs discloses that costs are distributed only between egg production and poultry slaughtered during the month. No part of the materials consumed or the overhead expenses for the month is charged to poultry on hand at the beginning or end of the month. Materials and overhead are apportioned between the three products on the same percentage basis as the dollar sales of each product bears to the total dollar sales of all products for the month.

It would appear that the present system of arriving at costs is inadequate and that no accurate financial statement is possible so long as inventories are ignored in arriving at the profit and loss for any period. It is, therefore, suggested that the Comptroller be requested to review the present method of cost accounting so that costs may be more adequately apportioned.

Products Manufactured in the Flag Department but Handled as Income in the Sewing Department: An examination of the production records of the flag department would indicate that certain items have been manufactured in the flag department from materials purchased by the sewing department, but are being billed as income of the sewing department. Among these were noted:

| | |
|-----------------------|-----------------|
| Men's sun suits | 3,178 3/4 dozen |
| Men's handkerchiefs | 820 1/4 dozen |
| Women's handkerchiefs | 401 dozen |

At present the production costs of the foregoing items are being charged with the materials and expenses of the sewing department thus resulting in increased expense costs for the remaining articles produced in the flag department and decreased expense costs for all products of the sewing department. It is suggested that the flag department purchase the material for these products and bill the sale of these items as flag department income.

Industry Products Sold Below Cost: A test check of the production records and sales records for April 1949 would indicate that certain products are being sold below cost:

| DEPARTMENT | PRODUCT | UNITS | SELLING PRICE | COST PRICE |
|------------|-------------------------|--------------|---------------|------------|
| Sewing | 18 x 18 cotton towels | 212 dozen | \$ 402.80 | \$ 441.05 |
| Sewing | 18 x 36 cotton towels | 326 dozen | 1,180.75 | 1,387.33 |
| Sewing | 18 x 72 cotton towels | 5 1/2 dozen | 34.33 | 56.98 |
| Sewing | 18 x 36 linen towels | 6 dozen | 32.70 | 38.21 |
| Flag | U. S. wool flags 5 x 8 | 124 | 992.00 | 1,051.83 |
| Flag | U. S. wool flags 8 x 12 | 25 | 437.50 | 495.32 |
| Flag | U. S. wool flags 9 x 15 | 4 | 110.00 | 127.15 |
| Knitting | #84 hose | 407 dozen | 1,322.75 | 1,560.72 |
| Knitting | #86 hose | 14 dozen | 60.90 | 73.27 |
| Poultry | Eggs | 3,204 pounds | 1,472.88 | 2,874.52 |
| Poultry | Fowl | 817 pounds | 328.45 | 707.00 |

Credit Memoranda: It was noted that sales return slips are not signed by the receiving clerk and sales adjustments are not approved by the industries supervisor.

No receiving book has been used in the poultry department until installed during this period.

STATE FARM REPORT No. 2497

State Cash Overage: An overage of \$5.00 existed in this account when the cash was balanced on July 21, 1948. On the date of the previous audit this account reflected a shortage of \$19.40.

The cash has been either over or short on the opening days of several previous audits. Some corrective action should be taken in this regard, as these small cash variances indicate a certain measure of carelessness which can, if not controlled, be quite disturbing.

Sales Book: Sales book number 15079 is missing and could not be accounted for by the institution authorities. The control of these sales books is an integral part of the accounting system of any state institution and the fact that one book is not available is sufficient to weaken such financial controls.

Materials and Supplies: The following adjustments were made through this account:

| | | |
|--------------------|-------------------------|------------------|
| Fresh Pork | Home Produced 7994 lbs. | Value \$1,438.92 |
| Applesauce #10 can | Home Produced 4514 ea. | Value 1,108.19 |

In the case of the fresh pork adjustment the steward at this institution was directed by the State Purchasing Agent to store the excess number of hogs, that were slaughtered to save grain, in the cold storage plant at the Division of Myles Standish in Taunton.

This pork was placed in cold storage at Myles Standish on November 5, 12 and 19, 1947, and on November 26, 1947 the steward at the Division of Myles Standish telephoned and stated that some of the pork which had been placed in cold storage there was showing spots of mold.

After an inspection by the Division of Food and Drugs of the Department of Public Health, it was condemned as being unfit for human consumption.

According to the correspondence on file, it would appear that this pork spoiled because the refrigerating plant at Myles Standish was not suited for the storage of pork for a lengthy period. The storage of pork requires near zero temperatures whereas the lowest possible temperature in the box where the pork was stored was 26 degrees.

The meat was used to make soft and laundry soap for use at this institution.

In the latter part of 1946, the cannery processed 13,749 #10 cans of applesauce. In December 1947, 4,514 of the remaining cans on hand were found to have swelled heads and pinholes. Samples were sent to the State Laboratory to be tested and it was reported that the applesauce was unfit for food.

It would appear, according to the correspondence on file, that the cause of the swelling and pinholes in the cans was due to sealing the cans at a temperature of 160 degrees. The canning of applesauce requires a sealing temperature of 190 to 200 degrees. The exhaustor which was used in canning this applesauce is old and worn and apparently unable to maintain the higher temperature required.

The applesauce was disposed of by feeding it to the pigs.

Farm Sale Control: The present set-up in the farm records does not provide a control for sales, that is, one place in the farm ledger where all sales are recorded. For example, milk sales are recorded in the milk account, hides and calves, etc., in the back of the ledger. In order to reconcile farm sales with the treasurer's records it is necessary to examine several places in the farm ledger for the total sales. This would likewise apply to the farm report, as there is no one place in the report where all the sales are recorded.

Patients' Bankbooks: In accordance with a suggestion made in previous audit reports, a bankbook belonging to an inmate who died January 27, 1939 was turned over to the Public Administrator for this district for liquidation. This bankbook is on the Charlestown Five Cents Savings Bank and showed a balance of \$120.25 on November 16, 1946.

Final accounting of this estate was made and allowed in probate on March 8, 1948 and the balance of \$57.92, remaining after deducting fees and expenses, was remitted to the State Treasury by the Public Administrator.

Inmates' Cash Overage: An average of \$63.80 was noted in this account when the cash was balanced on July 21, 1948. On the date of the previous audit this account reflected an overage of \$20.03.

The cash has been either over or short on the day of many previous audits. As this condition has been reported many times, some corrective action should be taken.

Also in this connection it was found that the cash book, inmates' ledger and cash on hand are not in agreement. The respective balances shown were:

| | |
|-----------------|-------------|
| Cash Book | \$10,226.23 |
| Inmates' Ledger | 10,253.37 |
| Cash on Hand | 10,290.03 |

Former Inmates' Funds: It was noted that there is a considerable amount of money belonging to former inmates which should be sent to the State Treasurer in accordance with Chapter 290 of the Acts of 1945.

STATE PRISON REPORT No. 2516

Maintenance Stores: The previous audit report stated the stores' records were again in poor condition.

It has always been the practice at this institution to have inmates handle the stock records, which may well be the reason for the variances. Beginning with September 1948, the inmates were taken off the stock records and replaced by civilian employees.

Industries—Adjustment to Inventories: Previous audit reports have suggested that all adjustments of inventory records, both raw materials and finished goods, be entered in the general ledger control accounts as separate entries and not as additions to purchases or issues. As this suggestion has not been adopted, attention is again called to it.

Industries—Unfilled Purchase Orders: It was noted that the monthly financial reports for the months of June, July, August and September 1948, showed unfilled purchase orders and cash balances in the Industry Fund as follows:

| | | UNFILLED PURCHASE ORDERS | CASH BALANCE IN FUND |
|-----------|----------|--------------------------------|----------------------------|
| June | 30, 1948 | \$147,204.93 | \$29,250.89 |
| July | 31, 1948 | 146,955.30 | 31,069.54 |
| August | 31, 1948 | 147,080.11 | 462.12 |
| September | 30, 1948 | 125,440.64 | 46,180.10 |

The Industry Fund is not encumbered when the order is placed as in the case with appropriation accounts. It is suggested that some control or limitation be placed over purchase requisitions so that the Industry Fund will not be placed in the position of not being able to pay its bills promptly.

Industries—Heat, Light and Power: The maintenance section pays the cost of operating the heating and power plant and then bills the industry section once a year in advance, the charge being based on the previous year's expenses. On August 8, 1947, the bill rendered to the industries section was as follows:

| | | |
|---|----------|--------------------|
| Total Heat, Light and Power for 1947 fiscal year | | \$30,191.56 |
| Less: | | |
| Coke | \$885.96 | |
| Gas | 814.89 | |
| Electricity | 225.84 | |
| Water | 4,014.13 | 5,940.82 |
| | | <u>\$24,250.74</u> |
| 1/3 charge to Industries | | \$8,083.58 |
| Engineering salaries total of \$17,626.27, of which 1/10 charged to Industries | | 1,762.63 |
| | | <u>\$9,846.21</u> |

It was understood that the charge to industries has been on the same basis for many years, so it would seem advisable to have it reviewed particularly as certain industries have been transferred to the State Colony at Norfolk.

Industries—Electricity Purchased: The foundry industry pays the costs of the electricity purchased and then bills the maintenance section an arbitrary monthly charge of \$18.82. This arbitrary charge of \$18.82 has been in effect for some time and it could not be determined on what it was based. The total of the October 1948 bill for electricity was \$800.94, so it would appear that the monthly charge of \$18.82 should be reviewed. Also, no reason could be found why the foundry industry should pay the entire cost of electricity, less of course the small amount charged to maintenance.

Industries—Underwear Industry: The Industry Financial Report of June 30, 1948, showed that for the fiscal year 1948 this industry had a loss of \$4,002.33. An effort was made to find the reason for it and in the course of this examination, it was found that several adjustments should be made as follows:

| | | |
|--|------------|-------------------|
| Loss as shown by Industry Financial Report | | \$4,002.33 |
| Add: | | |
| Inventory valuation overstated, June 30, 1948 | | 1,802.96 |
| | | <u>\$5,805.29</u> |
| Less: | | |
| Inventory valuation overstated, June 30, 1947 | \$2,069.03 | |
| Overcharge a/c Light, Heat and Power and General Expense | 1,287.06 | 3,356.09 |
| | | <u>\$2,449.20</u> |
| Loss as determined by audit | | |

Overstatements in inventory valuations were due to clerical errors in the stock books.

Industries—Distribution of Heat, Light and Power and General Expenses It would appear that it was the plan to distribute these items to the several industries during the current year based on the ratio of sales in the previous year, but apparently through oversight the distribution made during the 1948 fiscal year was based on percentages established by the Comptroller's Bureau several years ago.

A table showing the ratio of sales made during the 1947 fiscal year, together with the percentages used in distributing these overhead items during the 1948 fiscal year, follows:

| | 1947 SALES | PER CENT | PER CENT USED IN 1948 DISTRIBUTION |
|-----------|---------------------|-------------|--|
| Foundry | \$ 52,196.56 | 19% | 10% |
| Metal | 148,246.94 | 55% | 50% |
| Printing | 16,644.49 | 6% | 15% |
| Underwear | 55,582.02 | 20% | 25% |
| Clothing | 44.18 | 0% | 0% |
| | <u>\$272,714.19</u> | <u>100%</u> | <u>100%</u> |

The Heat, Light and Power charge for the 1948 fiscal year amounted to \$9,846.21 and General Expense was \$15,893.09, or a total of \$25,739.30; and as the percentages used in distribution varied from the percentages shown in the previous table for the ratio of sales in the 1947 fiscal year, the profit in each industry was increased or decreased accordingly. In the case of the Underwear Industry, which showed a loss in the 1948 fiscal year of \$4,002.33, the charge for General Expense and Heat, Light and Power was \$6,434.92, whereas had the correct percentage been used, it would have been \$5,147.86, or 1,287.06 less.

Industries—Underwear Industry—Items Sold Below Cost: A review of the

records of this industry disclosed that fourteen items were sold below cost during the 1948 fiscal year. A list of such items follows:

SCHEDULE OF UNDERWEAR ITEMS SOLD BELOW COST
DURING THE FISCAL YEAR ENDED JUNE 30, 1948

| DESCRIPTION OF ARTICLE | Style | UNITS | COST VALUE | SALES PRICE | Loss |
|-------------------------------|-------|----------|--------------------|--------------------|---------------------|
| Under-Shirts | #34 | 18 | \$ 228.78 | \$ 210.00 | (\$ 18.78) |
| Athletic Shirts | #71 | 1500 1/6 | 8,838.28 | 7,489.83 | (1,348.45) |
| *Under Shirts | #74 | 209 5/6 | 4,280.66 | 2,962.00 | (1,318.66) |
| Drawers | #71 | 235 1/6 | 2,288.26 | 1,542.71 | (745.55) |
| *Drawers | #74 | 153 3/4 | 3,545.46 | 2,162.00 | (1,383.46) |
| **Vests | #66 | 686 1/2 | 3,451.71 | 3,360.80 | (90.91) |
| Vests — Bleached | #66 | 97 1/2 | 550.29 | 531.43 | (18.86) |
| **Vest | #68 | 53 | 276.90 | 254.75 | (22.15) |
| Bloomers | #67 | 275 | 1,858.10 | 1,472.50 | (385.60) |
| **Union Suits | #77 | 16 | 245.03 | 232.00 | (13.03) |
| Mattress Pads 36 x 36 | | 5 | 123.84 | 81.00 | (42.84) |
| Mattress Pads 36 x 76 | | 6 1/4 | 262.93 | 213.86 | (49.07) |
| Mattress Pads — Miscellaneous | | 2 7/12 | 108.44 | 78.80 | (29.64) |
| Toques (Stocking Caps) | | 67 | 940.60 | 760.80 | (179.80) |
| Totals | | | <u>\$26,999.28</u> | <u>\$21,352.48</u> | <u>(\$5,646.80)</u> |

*On October 1, 1948 the sales price of Under-Shirts and Drawers — Style #74 — were increased from \$14.00 to \$15.00 per dozen for sizes 34 to 42, from \$14.50 to 16.00 for sizes 44 to 46, and from \$15.00 to \$17.00 for sizes 48 to 50. The increased sales prices are still far below the costs of production.

**On October 1, 1948 the sales price of the Vests and Union Suits were increased sufficiently to meet the costs of production.

Industries—Undistributed Overhead—Underwear Industry: An audit of the cost records indicated that \$5,509.18 of overhead was not distributed over the cost of underwear produced during the 1948 fiscal year as follows:

| | |
|--|--------------------|
| Operating Expenses | \$27,156.07 |
| Indirect Material | 4,211.53 |
| Total Overhead | <u>\$31,367.60</u> |
| Overhead charged to Production Reports for the fiscal year 1948 (#1 to #482) | <u>25,858.42</u> |
| | <u>\$ 5,509.18</u> |

The omission of this overhead from the Production Reports had the effect of understating the cost of Finished Goods, inasmuch as the Production Report is the basis of the transfer from the Goods in Process stock records to the Finished Goods stock records. Consequently the Finished Goods Inventory on June 30, 1948 was understated by whatever portion of the Finished Goods manufactured during the current fiscal year which remained on hand at the end of the year.

Since overhead is distributed on a percentage basis of the cost of Direct Material used on the Production Order, it appears that an upward revision of the overhead percentages is necessary if the entire overhead is to be distributed over the cost of underwear manufactured during the period.

Industries—Overhead—Underwear Industry: An examination of the stock records indicated that regular undershirts and Army under-shirts bearing the same stock number were being kept in the same stock account, notwithstanding the fact that thirteen different factory operations were required for the manufacture of a regular under-shirt and but seven factory operations for the Army under-shirt. Inasmuch as more indirect material, machinery, and floor space is used for the manufacture of the first garment than for the second, it would appear that the regular under-shirt should be charged with a greater portion of the overhead expense. However, at present, both garments are charged with the same percentage of overhead expense. It is suggested that the overhead charged to the above items be corrected and separate stock records be kept for Army and regular under-shirts.

Industries—Waste Account—Underwear Industry: A test check of the Finished Goods Inventory on date of audit disclosed over 5,000 pounds of underwear remnant waste having a minimum value in excess of \$400.00 which was

As the Finished Goods appeared to be obsolete and of no value to the State Prison, the matter was called to the attention of the Warden who received permission from the Commissioner of Correction on October 14, 1948 to transfer them to the State Farm for \$1.00. The following schedule shows the final disposition of the items totaling \$5,759.64:

| | RAW MATERIALS | FINISHED GOODS | TOTALS |
|---------------------------------------|------------------|-------------------|-------------------|
| Transferred to Underwear Ind. | \$134.24 | — | 134.24 |
| Transferred to State Farm | 269.01 | \$4,812.09 | 5,081.10 |
| Inventory Shortages | 56.08 | 488.22 | 544.30 |
| | <u>\$459.33</u> | <u>\$5,300.31</u> | <u>\$5,759.64</u> |

Industries—Shoe Repair Shop: Included in the Metal Industry is a small shoe repair shop operated primarily to repair the inmates' shoes, and apparently employees are also allowed to have their shoes repaired there. The financial transactions are included with those of the Metal Industry and no effort is made to segregate them.

The accounts were analyzed and with nothing added for overhead the following statement was prepared:

| | | |
|-----------------------------------|-------------------|-------------------|
| Receipts: | | |
| a/c Inmates | | \$ 787.43 |
| Employees | | 413.13 |
| | | <u>\$1,200.56</u> |
| Cost of work done: | | |
| Inventory July 1, 1947 | \$ 359.69 | |
| Purchases | 915.10 | |
| | <u>\$1,274.79</u> | |
| Inventory June 30, 1948 | 466.43 | 808.36 |
| Excess of Receipts | | <u>\$392.20</u> |

No reason could be found why the financial transactions relating to the Shoe Repair Shop should be included in the Metal Industry records.

Industries—Purchases of Machinery—Metal Industry: It was noted that the following items of machinery and equipment were purchased for the Automobile Plate Shop:

| DATE | DESCRIPTION | PURCHASED | ON PURCHASE ORDER |
|----------|---|--------------------|-------------------------|
| 6/29/48 | No. 24-A Bliss Knuckle-Joint Presses #33270 & #33271 (2) | \$26,520.00 | — |
| 8/19/48 | Artic Aire Oscillating Fans (4) | 94.52 | — |
| 9/27/48 | Furnish and Install Conveyors & Infra-red Equipment in Auto Shop | 17,101.00 | — |
| 10/12/48 | Shifting Equipment & Motor | 292.38 | — |
| 10/6/48 | Dipping Tanks (2) | 144.00 | — |
| 10/25/48 | Cincinnati #1410 Shear | 5,717.00 | — |
| 10/7/48 | Fuse Boxes (6) | 61.44 | — |
| 10/28/48 | Pennsylvania Transformers #13263 - 1, 2 & 3 (3) | 3,372.66 | — |
| 10/27/48 | Freight on Cincinnati Shear | 273.60 | — |
| 10/29/48 | Trucking on Transformers | 236.96 | — |
| 10/28/48 | American Wheelabrator Cabinet & Dust Col- lector Unit | 10,263.00 | \$1,805.78 |
| 9/21/48 | Used General Electric Circuit Breaker | — | 450.00 |
| 10/14/48 | Safety Switches | — | 115.90 |
| 9/23/48 | Embossing Presses - 400 Ton (2) | — | 30,972.00 |
| Totals | | <u>\$64,076.56</u> | <u>\$33,343.68</u> |

Industries—State Farm Industrial Fund: On the date of audit there was a balance of \$21,336.97 in the above fund. Further examination disclosed that this balance has been on the books of the State Prison since June 30, 1945. It represents the profits on war contracts performed by inmates of the State Farm, Bridgewater, during the period September 1, 1944 to June 30, 1945. The purchases and sales of material on the above war contracts were recorded in the State Farm Industrial Fund account on the books of the Industries Section of the State Prison. This fund apparently is not the property of the State Prison nor the State Farm which had no Industries Section during the war period. Since the above fund represents War Revenue and is serving no useful

purpose on the books of the State Prison, it is recommended that this fund be closed out into General Revenue.

Industries—Salary Adjustment Bonus: Section 5 of Chapter 311 of the Acts of 1948 provided for an interim cost-of-living adjustment in salaries to State employees of record January 15, 1948, still employed on May 29, 1948, the date of payment of the Salary Adjustment. The books of the Industries Section indicate that the Salary Adjustment which amounted to \$4,012.50 was charged to Surplus account. This item appears to be a proper charge to the cost of manufacturing as it represents an addition to the salaries paid employees of the Industries Section for the 1948 fiscal year.

Canteen Fund: The canteen was officially opened for business on June 14, 1946. Tickets in the denominations of \$.50, \$1.50, \$3.00 and \$5.00 are sold to inmates and officers. The tickets are printed in duplicate and when sold, one part goes to the inmate and the other to the canteen caretaker. When a sale is made, both parts of the ticket are placed together and punched simultaneously for the amount of the purchase.

Due to failure to have figures of \$.01 and \$.02 printed on the tickets, a few articles are sold at less than cost by punching the tickets at the five cents next below the cost price. Apparently the only items sold at a loss were rye bread, cheese spread and tomato juice No. 2.

Some of the purchases at the canteen by officers and civilian employees are not made by ticket, but currency is paid to the officer in charge of the canteen who turns the money over to the chief clerk periodically. On the date of audit receipts totaling \$26.24 were in the custody of the officer and not turned over to the chief clerk. It is suggested that the amount of currency retained by the officer be kept to a minimum.

Payments account of benefits totaled \$1,344.95 for the period, as follows:

| | |
|-------------------|------------------------|
| \$572.90 | Ice Cream |
| 228.90 | Cake |
| 198.58 | Movies |
| 113.10 | Athletic Equipment |
| 100.24 | Radio |
| 63.76 | Music |
| 60.72 | Miscellaneous Supplies |
| 6.75 | Radio Wire |
| <u>\$1,344.95</u> | |

STATE PRISON COLONY REPORT No. 2606

Sales Books: Sales Books Nos. 4461, 4465, and 4474, which were not available in connection with the previous audit, were on hand on the date of this audit.

Industries Section—Adjustments: A very substantial decrease in the amount of adjustments made in 1948 is noted as compared with the two previous years. In 1948 the total amount of adjustments was \$1,225.66, compared with \$4,094.24 in 1946 and \$4,496.55 in 1947.

Inventories: The ratio of inventories to sales is approximately the same as it was in 1947. This ratio is quite high and should be reduced.

Profit from Operations: The over-all profit for the fiscal year 1948 was 18.11% as compared with 9.20% for 1947, which is a net gain of 8.91%.

This increase in the percentage of profit is due to a general improvement in all shops. Although the Metal Shop reported a loss of \$3,809.32 for the fiscal year 1948, this loss is a substantial decrease as compared with a loss of \$10,336.85 for 1947. The loss in the Metal Shop is due to the excessively high cost of raw material and operating at less than full capacity.

Inmates' Accounts—Inmates' Funds—Overdrafts: By vote of the Inmates' Council there was transferred from the Canteen Surplus Account an amount sufficient to close out all overdrafts existing in the accounts of inmates who were no longer in the institution.

Over and Short Account: As was recommended in the previous audit report this account has been discontinued. In accordance with a vote of the Inmates' Council money was transferred from the Canteen Surplus account to make up the shortage represented by this account.

DEPARTMENT OF EDUCATION
GENERAL DEPARTMENT REPORT No. 2604

Bookkeeping Records: On date of audit, June 1, 1949, the general ledger had not been posted beyond March 1949, the accounts receivable ledger was posted to May 31, 1949, bills have been sent out to June 1, and financial reports have not been compiled since June 1948.

The new cash book installed on July 1, 1947, now being maintained in accordance with instructions issued by the Comptroller's Bureau.

Income: Since the date of the previous audit, the Comptroller's Bureau has made a survey of methods of accounting and it is hoped that in later audits many difficulties previously encountered will be eliminated. During the period covered by this audit, accounting for income was handled by three different methods, first, ticket system; second, by simple receipts and third by a system of machine billings known as the fan fold system. Accounting for income during the third period was made impossible by the issuance of receipts in addition to fan fold tickets for the same items.

Accounts Receivable: It was noted that the accounts receivable account in the general ledger which was not posted at the time of the previous audit is now up to date. Schedule No. II of this report, therefore, accounts for transactions which have taken place from September 23, 1946 to June 1, 1949.

Included in the credit adjustments to Accounts Receivable is the sum of \$15,480.38 applying to the Town of Bridgewater. Due to a new agreement between the State and the Town and because the State failed to make certain appropriations for the 1946-1947 school year, the Town of Bridgewater had to pay the salaries of the teachers at the training school. The Department, therefore, adjusted the original charges to Bridgewater by crediting their account.

Other credit adjustments were examined and appear to be normal.

TEACHERS' RETIREMENT BOARDS REPORT No. 2556

Records—Microfilm: In view of the fire hazard in the present office location, it is recommended that the bookkeeping records relating to teachers' deposits be microfilmed. This is particularly important as under the new law a complete record of the contributions made by a teacher is necessary to establish the pension due on retirement.

Journal Entries: The previous audit report stated that a record of the journal entries was not kept. It was noted that journal entries are now being recorded in a bound book.

DIVISION OF THE BLIND: REPORT No. 2533

Accounts Receivable—Charges: All records of accounts receivable for the division are kept at the main office. All bills are sent out by the several agencies. The posting medium for charges to accounts receivable of the Cambridge Industries for Men is a duplicate copy of the original bill which is sent to the main office. Charges for Woolson House Industries and for the Salesroom are made from charge memo slips sent to the main office. The previous audit report stated:

"Charges for the four local shops are made from shop tags sent to the Boston office. It is believed that Woolson House Industries, Salesroom and the four local shops should send duplicate copies of bills to the Boston office."

It was noted that this suggestion has been adopted.

Accounts Receivable—Overdue Accounts: It is again suggested that all accounts overdue since June 30, 1947, and prior be turned over to the Attorney General for collection.

Selling Prices of Manufactured Articles: It is suggested that, if practical, a list of the selling prices of all articles manufactured for sales in the several workshops be kept on file in the main office in Boston and that such selling prices should be approved by the Director of the Division.

Physical Inventories—Industries, Shops, Salesrooms: The previous audit report stated:

"It is again suggested that all physical inventories of raw materials, stock in process and finished goods taken at the industries, shops and salesroom be listed on standard inventory sheets, and be signed by the person in charge at each agency of the division where such inventories are taken."

It was noted that of the June 30, 1948 inventories, some were signed and some were not.

Finished Goods Stock Ledger Control—Cambridge Industries for Men: In several of the previous audit reports it has been stated:

"As of September 1, 1937, the Comptroller's Bureau set up a materials and supplies account in the general ledger of the department controlling the raw materials section of the stock books. There is no account, however, which controls the finished goods on hand. It is therefore again advised that an account be set up in the general ledger to control finished goods, as a stock ledger without a control is of little value."

It was understood that this suggestion will be adopted within the near future. A physical inventory of finished goods is taken at the end of each fiscal year. Unit balances as shown by the physical inventory are carried forward on the stock sheets to the beginning of the new fiscal year. As there is no general ledger control account for finished goods, any differences between stock ledger figures and physical inventory figures do not appear as a division book record under the present arrangement.

Cambridge Industries for Men—Finished Goods, Returned Brooms and Mops: The previous audit report stated:

"It was noted that the stock ledger sheets recording finished brooms and mops show production figures in units for each type. There was no record of returned brooms or mops shown on any stock sheet. It is suggested that all return sales of brooms and mops be recorded on the stock ledger sheets."

It was noted that this suggestion has been adopted.

Storeroom—Cambridge Industries: At present there is no storeroom for the storing of raw materials and finished goods. An effort is made to segregate stock requisitioned for manufacturing from the raw materials and the units manufactured daily from the finished goods, but since most of the employees are blind they inadvertently use stock that is not requisitioned and ship manufactured products which have not yet been recorded as finished goods.

The matter of providing a storeroom was discussed with the industries foreman and he stated that he was planning to provide such a storeroom. In this connection the records in the Boston office show that in order for lumber for such construction amounting to \$226.25 was placed by the State Purchasing Bureau on June 4, 1948, but apparently due to a question of price the lumber has not yet been delivered.

Federal Participation—General Administration: In accordance with the approved plan of Federal participation in the expense of general administration, aid to the blind, one-half of 5% of the salaries of the personnel in the book-

keeping department is reimbursed by the Federal Government. The expenses of rent and light is now being apportioned 18.68% to the Federal Government. One-half of 50% of telephone expenses is reimbursed. The salaries of other members of the personnel are reimbursed by the Federal Government on the basis of 50% of the following percentages:

| | |
|---|------|
| Director | 20% |
| Secretary to the Director | 20% |
| Telephone Operator | 50% |
| Senior Workers with Blind (6) | 100% |
| Guides to Blind Workers (3) | 100% |
| Senior Statistical Clerk | 100% |
| Junior Clerk and Stenographer (2) | 100% |
| Junior Clerk and Typist | 10% |
| Workers with the Blind | 15% |

Jean M. LeBrun Fund: The income from the investment of this fund for the audit period was \$25.00 and the total income balance on August 24, 1948 was \$310.49. The principal of this fund (\$2,000.00) is invested in United States Treasury Bonds, Series G, 2½%, due October 1, 1955.

The income is for use in the higher education of blind students and may be administered by the director.

Michael F. McCarthy—Division of the Blind—Pittsfield Shop Fund: The workshop for the Blind located at 36 Eagle Street Pittsfield, Massachusetts is one of the beneficiaries from a trust under the will of Michael F. McCarthy of Pittsfield. Referring to this, the previous audit report stated:

"A copy of the will and citations has been sent to the Attorney General for an opinion as to the intended beneficiary. It is the belief of the Director of the Division that it was the intent of the benefactor to have the income from the trust used for the benefit of the workers of the Pittsfield Workshop for the Blind. The wording of the will making the Pittsfield workshop for the Blind a beneficiary would not appear to be in accordance with the intent of the benefactor."

It was understood that the matter was discussed with the Attorney General who ruled orally that the income must be used for the benefit of the shop.

MASSACHUSETTS MARITIME ACADEMY REPORT No. 2612

Bookkeeping—General: In the past few years the records of this academy have not lent themselves to immediate audit. A great deal of time has been needlessly expended by representatives of this department in efforts to make complete audits and to assist academy authorities in bringing necessary records to a current status. Generally speaking there was noted little, if any, improvement in the general approach to complete accounting control. As a matter of fact on the date of audit, June 1, 1949, no expense ledger had been maintained for the 1949 fiscal year, nor had debited financial statements which are requested monthly been submitted to the Comptroller's Bureau. Approved receiving records and billing controls were not being maintained. Many other accounting shortcomings which were noted are commented upon individually in another section of this report.

Recently, a concentrated effort has been begun by representatives of the Comptroller's Bureau together with academy officers to set up and keep current all phases of the bookkeeping and records which heretofore have been lacking. New personnel is being instructed in proper procedures and it is sincerely hoped that conditions will be greatly improved when the next audit is attempted.

It is noted that as of July 1, 1948 the Secretary's Office in Boston handles the financial records of the following Appropriations only:

Administration—Personnel Services
Expenses of Commission

The paymasters office in Hyannis now takes care of all other financial records including the other appropriations, income and miscellaneous funds.

1948 Advance Money: On June 1, 1949 the 1948 advance money balance of \$27,076.37 which should have been cleared on June 30, 1948 had not been returned to the State Treasurer.

The status of this advance money as of June 1, 1949 follows:

| | |
|--|--------------------|
| Cash in banks | \$20,277.83 |
| Expenditures not yet Scheduled | 1,912.06 |
| Pay roll expenditures not yet Reimbursed | 354.82 |
| Other Expenditures not yet Reimbursed | 4,460.88 |
| Net Shortage | 70.78 |
| | <u>\$27,076.37</u> |

In this connection attention is called to the fact that the previous audit report suggested that steps be taken to process the expenditures totaling \$1,912.06, made in August 1947 from 1948 advance money, and which had not been recorded by the Academy officials.

On October 25, 1948 the Board of Commissioners voted with reference to this matter that "the paymaster be instructed to get receipts (or copies of them) . . . which have not previously been submitted . . . for reimbursement."

Letters asking for such receipts were sent out but as of the date of the audit all the necessary receipts and vouchers had not been received. Therefore, no further action was taken as to the date of this audit.

The net shortage shown in the reconciliation of the 1948 advance money comprises the following:

| | |
|---------------------------------|----------------|
| 1948 Cruise Advance—Shortage | \$78.01 |
| 1948 Pay roll Advance—Shortage | 5.14 |
| | <u>\$83.15</u> |
| Less: | |
| 1948 Contingent Advance—Overage | 12 37 |
| Net Shortage in 1948 Advance | <u>\$70.78</u> |

Refunds Paid from State Income: The previous audit report called attention to the fact that unauthorized refunds were paid from State Income. In this connection it was noted that there were no such instances during the current audit period.

In conformance with a suggestion in the previous audit report the Board of Commissions voted under date of October 25, 1948 that all refunds must be referred to them for action.

Uncollected Income: The previous audit report noted that there was \$7,341.78 of overdue service fees unpaid as of the date of that audit, June 7, 1948.

As of June 1, 1949 the date of the current audit the overdue service fees unpaid totaled to \$1,011.78 as follows:

| DATE OF CHARGE | AMOUNT |
|----------------|-------------------|
| March 18, 1947 | \$ 10.00 |
| March 18, 1948 | 270.00 |
| July 28, 1947 | 131.78 |
| July 28, 1948 | 600.00 |
| | <u>\$1,011.78</u> |

Income not Being Promptly Remitted to State Treasurer: The receipts on account of service fees received during the period under audit were remitted to the State Treasurer. It was noted, however, that graduation deposits forfeited during the period under audit were not sent to the State Treasurer in accordance with regulations. It was further noted that there were service fees and forfeited graduation deposits on hand at the date of the previous audit which still had not been remitted during the current audit period.

On June 1, 1949 the income not yet remitted to the State Treasurer totaled \$9,535.00 and consisted of the following:

| | |
|---|-------------------|
| In Clothing Bank Account: | |
| Forfeited Graduation Deposits | \$ 300.00 |
| Service Fees | 8,685.00 |
| In Midshipmen's Graduation Fund | |
| Bank Account: | |
| Forfeited Graduation Deposits | 550.00 |
| | <u>\$9,535.00</u> |

This income should be transferred to the State Treasurer as soon as possible in accordance with Section 27 of Chapter 30 of the Tercentenary Edition of the Generals Laws.

Graduation Deposits: A graduation deposit of \$50.00 is required from each midshipman upon enrollment. This deposit is returned to the midshipman upon graduation. In the event that the midshipman fails to graduate, the deposit is forfeited to the Commonwealth and becomes income.

In prior years when the paymaster collected this graduation deposit, it was deposited in a so-called Clothing Bank Account. At intervals withdrawals due on account of Graduation Deposits were made and forwarded to the Secretary's office in Boston where individual bank accounts were set up for each midshipman in the Suffolk Savings Bank of Boston.

A few years ago the paymaster failed to forward the correct amount due on account of graduation deposits and consequently \$1,400.00 remained in the Clothing Bank Account.

On September 20, 1948 the Board of Commissioners voted that "graduation deposits now at Suffolk Savings Bank in Boston should remain there but that all future graduation deposits should be deposited in Hyannis."

In accordance with this a single savings account was opened in a Hyannis bank for graduation deposits. This account had a balance of \$3,650.00 as of June 1, 1949.

As of June 1, 1949 there were 168 midshipmen registered at the Academy. Their graduation deposits are accounted for as follows:

- 78 Accounted for by 78 individual bank accounts of \$50.00 plus accrued interest each in the Suffolk Savings Bank in Boston, Mass.
- 28 Accounted for by \$1,400.00 of the balance of the Clothing bank account in Hyannis, Mass.
- 62 Accounted for by \$3,100.00 part of the balance of the Clothing bank account in Hyannis, Mass.

168

As of July 1, 1948 the practice of recording Graduation Deposits in the State cash book and general ledger was discontinued. It is advised that some form of cash book and individual ledger be installed so that graduation deposits may be better controlled.

Clothing Accounts: On June 1, 1949 there was little if any control over the clothing accounts.

No separate clothing cash book, purchase journal, or stock ledger were being maintained. Therefore, the physical inventory which was taken in connection with the audit could not be reconciled.

The Midshipmen's Clothing Deposit Ledger, which was maintained, was of little help in connection with the audit. Since there was no control account, it could not be determined whether the balance represented by this ledger was correct or otherwise.

On June 1, 1949 there was a cash balance on hand and in the bank of \$11,119.56 on account of the Clothing Account. Of this amount, \$8,985.00 was due to the Commonwealth on account of service fees and forfeited graduation deposits and \$1,400.00 was due to the Graduation Deposit Fund leaving a balance of only \$734.56 for the actual Clothing Account.

An analysis of the Midshipmen's Clothing Ledger as of June 1, 1949 shows the following breakdown of the account balance of \$3,666.48.

BALANCES OF CLOTHING FUND DEPOSITS DUE TO MIDSHIPMEN
JUNE 1, 1949

No Longer Attending the Academy:

| | | |
|--|-------------------|-----------------|
| Disenrolled - January to June 1946 | \$ 63.72 | — |
| Disenrolled - July to December 1946 | 129.51 | \$ 9.08 |
| Disenrolled - January to June 1947 | 25.64 | — |
| Disenrolled - July to December 1947 | 17.16 | — |
| Disenrolled - January to June 1948 | 39.07 | 26.40 |
| Disenrolled - June 8, 1948 to June 1, 1949 | 433.36 | 42.51 |
| Graduated - February 27, 1947 | 571.09 | — |
| Graduated - May 1, 1947 | 422.92 | — |
| | <u>\$1,702.47</u> | <u>\$ 77.99</u> |
| Midshipmen in Academy | 2,231.92 | 189.92 |
| | <u>\$3,934.39</u> | <u>\$267.91</u> |

From the foregoing it is obvious that there is absolutely no control of these Clothing Accounts and it is advised that immediate accounting controls be developed for the proper handling of these accounts.

Obsolete Items in the Midshipmen's Clothing Inventory: The physical inventory on June 1, 1949 amounted to \$8,968.82 and included clothing and books valued at \$2,055.08 which are considered obsolete for officials of the Academy. This means the saleable merchandise on hand is valued at \$6,913.74.

It is suggested that the Commissioners take the necessary steps to dispose of this obsolete material through available channels.

Officers' Mess Fund: As of the date of the audit there was a balance of \$524.60 in the Officers' Mess bank account.

When the practice of allowing officers a ration allowance of \$1.00 a day was discontinued by the Commonwealth on June 30, 1948, this account became inactive.

It is understood that this fund was originally established some years ago by contributions from Academy officers. However, no records appeared to be available from which it could be determined what portion of this balance is owed to individual officers, and what portion might be due to the Commonwealth.

It is suggested that the Commissioners take the necessary steps to dispose of this account together with the cash balance.

Special (Old Canteen) Account: It is noted that there is a balance of \$226.17 in the Special (Old Canteen) Account.

The Canteen has been discontinued and there was no activity in this account during the period under audit. It is therefore advised that a determination should be made relative to the disposition of this balance.

Full and By Account: It is noted that there is a cash balance of \$15.39 in this account.

This account was established in connection with the publishing of a school newspaper, "Full and By", which was discontinued several years ago. There has been no activity in this account since that time, and it is therefore also suggested, in this connection that advice be sought relative to closing out this account.

Contributions by Midshipmen: During the period under audit several fees were established which are paid by midshipmen through compulsory contributions as follows:

- Insurance Fee—\$3.60 per year—payable in a lump sum. To pay for the cost of \$1,000.00 liability policy required of all Midshipmen by the U. S. Maritime Commission. (Premiums are remitted to this Commission)
- Welfare and Social Fee—\$15.00 per year—payable \$1.25 a month. To defray expenses associated with recreational activities.
- Athletic Fee—\$10.00 per year—payable \$.83 a month. To defray expenses associated with athletic activities.

Clothing (Special) Fee—\$100.00 per year—Payable \$8.33 a month. To meet requirements for replacements of clothing and equipment for ensuing year and to assure that the Midshipmen have a sufficient balance to meet requirements and indebtedness. Senior class exempt.

Service (Special) Fee—\$100.00 per year—payable \$8.34 a month. To meet the Service Fee requirements for the ensuing year. Senior class exempt.

Midshipmen's Ledgers for the Clothing (Special) Fee and Services (Special) Fee were maintained. However, trial balances of these ledgers could not be reconciled with the balances of the respective bank accounts.

No official information regarding the establishing of these fees or the liability of midshipmen for unpaid balances and overdue contributions could be obtained from the records at the Academy. Neither did the formal minutes of the meetings of the Commissioners include any information regarding these contributions nor any approval thereof.

If these contributions are to be continued, it is suggested that an adequate accounting system be installed in which both a method of reconciling the midshipmen's ledger monthly and a method of recording fees outstanding will become integral parts.

Minutes of Meetings: It is noted that the records of the meetings of the Board of Commissioners between February 26, 1946 and November 13, 1947 had not been transcribed in the minute book.

Upon the death of the former Secretary of the Board, Captain F. P. Harrington, it was found that rough notes of several meetings of the Commissioners had not been entered in the minute book.

It was also noted that on March 9, 1948, the Commissioners voted to keep the notes of the former Secretary of the Board in the back of the minute book but not typed as part of the official records.

John J. Egan Memorial Fund: This Memorial Fund was set up by Mr. J. J. Egan, Sr. to memorialize his son's service and loss of life while on a cruise as a Midshipman.

The money entrusted is used annually to inscribe the name of outstanding Midshipmen on a large cup trophy which was presented to the Academy by Mr. J. J. Egan, Sr.

Captain Emery Rice Memorial Fund: This Memorial Fund was set up to memorialize Captain Rice through a gift from his sister.

The money entrusted is to be used to acquire mementos, relics, and war souvenirs of both World Wars and to exhibit and care for the War medals, books, and pictures of Captain Rice which were presented to the Academy by his sister.

STATE TEACHERS COLLEGE AT FITCHBURG REPORT No. 2528

Income: The previous audit report covering the period April 14, 1947 to January 12, 1948 stated:

"The trial balance of the accounts receivable ledger was aged and it was noted that several of the accounts have been outstanding for several years. It is suggested that all accounts outstanding previous to the 1947 fiscal year be turned over to the Department of the Attorney General for collection."

As yet, this has not been done. It is again suggested that these accounts be turned over to the Department of the Attorney General for disposition.

STATE TEACHERS COLLEGE AT FRAMINGHAM REPORT No. 2524

Repairs and Renewals: The repairs and renewals section of the budget for 1947-1948 contains a request for an appropriation of \$3,000.00 for painting the exterior of Dwight Hall and \$2,500.00 for painting the exterior of Pierce Hall, making a combined amount of \$5,500.00 for exterior painting. An analysis of bills paid under this heading shows \$46.00 paid for painting two rooms in the nurses' suite in Horace Mann Hall, \$600.00 for plastering in Horace Mann

Hall, \$200.00 for roofing work on Crocker and Mann Halls, and \$1,945.00 for painting Dwight and May Halls. Mann, Crocker, and May Halls were not mentioned in the original request for funds.

STATE TEACHERS COLLEGE AT LOWELL REPORT No. 2496

General: Because of existent conditions in the bookkeeping office at this college, it was determined to be impossible at this time to make a complete audit of the accounts. It is understood that the bookkeeper at this college experienced an accident and since that time her injuries have not allowed her to bring the accounts in to a current position, with the consequent result that, generally speaking, the financial activities have not been properly reflected for the past several months. The income accounts, however, were brought up to date during the course of the audit and were examined through June 30, 1948.

This matter should be brought to the attention of the proper authorities so that necessary assistance may be provided to bring order out of the present prevailing conditions.

STATE TEACHERS COLLEGE AT NORTH ADAMS REPORT No. 2598

Cash: In balancing the cash with cash book it was noted that a shortage of \$3.28 existed.

Accounts Receivable Ledger: A trial balance of the accounts receivable subsidiary ledger did not agree with the control account in the general ledger. It is advised that the two folios always should be in reconciliation.

State Aid to Students: Cash received from the Department of Education for aid to certain pupils and the amounts expended on accounts of aid to certain pupils was not recorded on the financial records of the college in accordance with Page 100 of the Accounting Manual furnished by the Comptroller's Bureau.

STATE TEACHERS COLLEGE AT SALEM REPORT No. 2537

Endowment Fund: It was noted that the general ledger does not contain accounts for each individual endowment fund. It is recommended that such accounts be set up.

Non-Resident Student: Upon examination of the Accounts Receivable ledger it was found that a non-resident student who paid at the rate of \$150.00 per semester during the 1947-1948 school year was being billed at the rate of \$37.50 per semester during the current school year. The reduced charge was made on the basis that the student had reached the age of twenty-one years on November 11, 1948, and had chosen Massachusetts as her residence. No ruling could be found permitting a reduction of the tuition charge on this basis and the query is raised whether it is permissible to do so.

STATE TEACHERS COLLEGE AT WORCESTER REPORT No. 2498

Refunds on Account of Income: The Accounting Manual issued by the Comptroller's Bureau requires that refunds on accounts of income be recorded in the accounts receivable control account.

In this connection it was noted that refunds on account of income are not passed through the accounts receivable control account.

Accounts Receivable Ledger: The Accounting Manual further requires that an accounts receivable ledger be kept. In this connection it is noted that no accounts receivable ledger is kept.

Income: Income due the Commonwealth on account of handling charges for sales of books to veterans who are students is not set up on the records.

In this connection it is suggested that this income be established and recorded on the records.

Trial Balance Book: The Accounting Manual requires that a monthly trial

balance of the general ledger accounts be taken and recorded in a Raymond Trial Balance Book.

In this connection it was noted that a trial balance book is not kept, nor are the accumulated totals of the expense ledger recorded in the Raymond Trial Balance Book.

Monthly Journal Entries: The monthly journal entries recording transactions in the maintenance allotment and the reserve for encumbrances accounts are not made in accordance with the Comptroller's instructions.

In this connection reference is made to page 8 of the financial report for the year ending June 30, 1948.

Financial Report: The financial report for the year ending June 30, 1948 shows allotments for the year of \$117,893.00, while the general ledger maintenance appropriation account as well as the maintenance appropriation allotment account shows allotments for the year of \$117,493.00, a difference of \$400.00.

General: In view of the foregoing comments it is suggested that a representative of the Comptroller's Bureau visit the college and instruct the personnel in order that the financial transactions be recorded in accordance with the Accounting Manual and that all financial records as set forth in the Accounting Manual be kept.

MASSACHUSETTS SCHOOL OF ART REPORT No. 2611

Accounts Receivable Trial Balance—Art School Associates, Inc.: The trial balance of accounts receivable on date of audit consisted of eight accounts. These all indicated a balance due since October 1, 1948. It is recommended that a greater effort be made to collect these old outstanding charges.

Trust Funds—Principal: It was noted that on October 1, 1948 the Annie L. Cox scholarship Fund of \$2,500.00 was brought on the books of the Massachusetts School of Art. A copy of a letter dated June 28, 1946 from the Commissioner of Education to the Treasurer and Receiver General indicated that this bequest was mailed to the State Treasurer on June 28, 1946. It was also noted that the interest only was to be expended in each year to provide a scholarship for a student of the Massachusetts School of Art. This fund was invested in U. S. Series G Bonds on October 7, 1948 approximately two and one-half years after the receipt of the bequest which resulted in a loss of interest during this period.

Trust Funds—Income: On date of audit, three Trust Fund Income balances were not in agreement with the Comptroller's records, as follows:

| | |
|--|-----------------|
| Albert H. Munsell Fund Income, per books | \$ 99.53 |
| Albert H. Munsell Fund Income, per Comptroller | 199.53 |
| Difference to Adjust | <u>\$100.00</u> |
| Rebecca L. Joslen Fund Income, per books | \$829.92 |
| Rebecca L. Joslen Fund Income, per Comptroller | 836.17 |
| Difference to Adjust | <u>\$6.25</u> |
| Annie L. Cox Fund Income, per books | — |
| Annie L. Cox Fund Income, per Comptroller | \$31.25 |
| Difference to Adjust | <u>\$31.25</u> |

While this audit was in progress daily statements of transactions were received from the Comptroller correcting these differences.

Art School Associates, Inc.—Bonding of Employees: The previous audit report suggested that the persons responsible for handling money be bonded. This suggestion was complied with during the current audit period, the cashier being bonded for \$5,000.00 and the treasurer of the corporation for \$2,000.00.

Voided Checks: It is suggested that the signature part of the check be removed and that voided checks be filed with the paid checks each month.

Changed Fund: It is suggested that a change fund be created in a specified amount and that a corresponding account be set up in the general ledger for it.

Deposits: Because the average daily cash receipts are approximately \$400.00 it is advised that deposits be made daily.

Pay Roll: It is suggested the present method of paying salaries and wages from the daily cash receipts be eliminated and that checks be drawn each week for the pay roll.

Disbursements from Daily Receipts: It is suggested that the present practice of making payments of all kinds from the daily cash receipts be eliminated and that the Petty Cash Fund be used for the purpose for which it was originally intended.

Bank Deposits: Deposits are made by mail and messenger. It is suggested that sufficient bond coverage be provided for this class of activity.

Accounts Payable Trial Balance: The trial balance of accounts payable on the date of audit consisted of twenty-four accounts, twelve of which showed debit balances or overpayments in the amount of \$241.74. This indicates a certain amount of laxity when paying bills and it is suggested that greater care be exercised in this respect.

UNIVERSITY OF MASSACHUSETTS REPORT NO. 2557

Cash, Over and Short: On September 30, 1948, there was a net cash overage of \$2.55. The record of daily cash overages and shortages was tabulated for the period under audit. A comparison of variances was made for the current and previous audit periods, and the variances were discussed with the University Treasurer and Assistant Treasurer and both advised that the condition was known to them.

With the increased work load due to an enlarged enrollment and other fiscal increases and additions, there has been no reallignment of duties of the cashier in the Treasurer's office. From a review and survey of these activities, it is felt that the growth of the duties make it impractical for the one individual to act both as a receiving and a paying teller. It is suggested that the University officials review this section of the Treasurer's office and establish two cashiers, one as a receiving teller and the second as a paying teller.

Special Appropriations: Home Economics Building project #1341-86, was accepted by the University on October 15, 1948, whereas the completion date of the contract was June 1, 1948. No penalties were assessed against the contractor for the period from June 1 to October 15, 1948, and no extension of time had been granted to said contractor.

Special Appropriation—Item #3513-67, "Veterans' Education Supplies": An amount of \$20,000.00 was appropriated in Chapter 126, Acts of 1948, based upon a deficiency budget request of the University for—

"Amount necessary to meet cost of textbooks and supplies under Veterans Administration regulations."

This request was submitted by the University after the tuition rates for veteran students was increased to \$400.00 per school year, and apparently was the result of a contract and other agreements between the University and the Veterans Administration for the period from July 1, 1947 to June 30, 1948.

Paragraph two of a contract dated September 25, 1947 states in part:

" . . . Since resident veterans are charged non-resident rates, it is understood and agreed, in accordance with VA Manual M7-5, pas 7b(2), that the total payment to the institution will be limited to an amount which, together with the customary charges for fees, books, supplies, equipment and other necessary expenses, will not exceed the rate of \$500 for a full-time course for an ordinary school year. An individual veteran will not be permitted, nor required, to pay personally for any amount in excess of the rate of \$500."

Against the item #3513-67 the University submitted invoices aggregating \$17,437.78 for payment to the University Store for textbooks and supplies issued by the University Store to the veteran students in excess of the \$500.00 allowable by the Veterans Administration.

The University Store operates on a revolving fund basis under authority of Chapter 329, Acts of 1939 as amended, and retains all receipts in that account. As it is the responsibility of the Commonwealth through the University to supply the necessary textbooks and supplies to veterans, it is felt that the Commonwealth should not be charged with any profit element by the University Store. This was discussed with the University Treasurer who agreed in principle that the Commonwealth should only pay the cost price for these items. It is recommended that the Commission on Administration and Finance review this appropriation and determine the amount of "cost prices" of the textbooks and supplies paid for from this appropriation, and request that a refund of the difference be made to the Commonwealth.

Vouchers submitted and charged against this appropriation were examined. Included in one voucher was an item which had been suspended by the Veterans Administration for the following reason:

"The veteran does not have a training folder as he has never been placed into training. A check of his case folder indicates the veteran was on active duty in the armed services for only twenty-two days or less than the ninety days required for training under Public Law 346..."

It is recommended that the amount paid to the University Store for this item be refunded to the Commonwealth.

Maintenance Appropriation, 1949 Fiscal Year: Included among the encumbrances of the allotment to appropriation item #1341-00-07, is an amount of \$7,000.00 for the payment of invoices rendered by the University Store for textbooks and supplies issued to veteran students in excess of the \$500.00 allowable by the Veterans Administration. There have been payments of \$4,878.28 made against this encumbrance.

Included in these payments is the profit to the University Store upon which comment was made previously in this report.

It is recommended that the Commission on Administration and Finance review the charges made against this section of the Maintenance Appropriation to determine the "cost price" of the textbooks and supplies furnished to the veteran students, and the difference be refunded to the Commonwealth.

Military Uniform Account: It is recommended that the accumulated surplus in this account be turned into the State Treasury as revenue.

Accounts Receivable, Charged Off: The previous audit report stated:

"It is recommended that all charge-offs or cancellations of accounts receivable be recorded through journal entry."

The attention of the Commission on Administration and Finance is called to the foregoing comment, and it is suggested that this phase of the college activities be reviewed by the Comptroller and necessary records and assistance be provided to the University.

It is again recommended that all charge-offs or cancellations of accounts receivable be recorded through journal entries.

Notes Receivable—Suspense: It is again suggested that the University officials interpret the instructions contained in the Accounting Manual, which refer to accounts receivable referred to the Attorney General, to apply also to the notes receivable which the University has referred to the Attorney General for collection, and that proper entries be made on the records to reflect the status of notes receivable.

Accounts Receivable—Student Charges: Previous audit reports comment upon the fact that student charges were set up only when paid. This condition was again discussed with the University Treasurer and Assistant Treasurer.

It is recommended that the Comptroller's Bureau issue specific instructions to become part of the Accounting Manual issued to this University, setting forth a prescribed procedure for recording student charges.

Tuition Charges: The previous audit report stated:

"An examination of invoices submitted to parents for the payment of tuition showed that resident tuition rates were paid by persons whose residence addresses were outside the Commonwealth. This was discussed with the university treasurer who stated that the rules covering the payment of tuition had a proviso to the effect that a student would not lose residential preference during his continuous attendance at the university. The treasurer also said that if the parents of guardian of a student paying non-resident tuition rates, became residents of the Commonwealth, the student would receive the benefit of the resident rates. It would seem that, when a residential preference is lost by virtue of the moving of a parent or guardian to another state, the students who would be in attendance at the college would be charged the non-resident tuition rate."

This condition has not changed, and attention is called to the comment in the previous audit report.

University Production: Beginning in 1940 the budgetary classification "Farm" was changed to "Productive Enterprises" and included the following departments:

Dairy
Farm
Floriculture
Mount Toby
Pomology
Poultry Husbandry

The University general ledger now includes the following accounts relating to the farm activities:

Farm Production
Farm Storage
Farm Products Used
Clearing Account Prior
Farm Storage

These accounts show only transactions which come within the supervision of the Farm Department. If the titles of these accounts were changed and the word "Farm" in each of the four accounts be replaced with the word "University", the production and disposition of all the University departments could be recorded on the financial records of the University Treasurer and these accounts could reflect the entire production of all the University departments.

At the time of previous audits, this matter was brought to the attention of the University Treasurer, and it was suggested to the Treasurer that the University departments might be provided with the subsidiary forms now in use at the Farm Department so that the monthly production reports which are submitted to the Treasurer's office could be verified to a record of original entry.

It is again recommended that the University refer this matter to the Commission on Administration and Finance, and with the cooperation of that Commission install the necessary records of original entry and a complete centralized control of all University production and disposition.

Interdepartmental Transfers of Local Produce: A previous audit report showed the following paragraph which were taken from a memorandum issued to department heads by the Treasurer of the College.

"I. Interdepartmental Transfers

The following will be the procedure for handling interdepartmental transfers:

a. Local produce

Goods produced by the various departments of the College as a result of their education and research programs and including such

items as apples, milk, flowers, poultry products, etc., may be transferred from the producing department to another department of the College where they may be needed in connection with the education and research program without a cash transfer on the books. The transfer of goods should be on the basis of a memorandum from the department needing the goods to the issuing department. No credits or charges will be entered upon the treasurer's book."

Memoranda of transfer of local produce were not available for use by the auditors. It is again suggested that such memoranda be used as the basis of transfers and that they be kept on file for audit purposes.

Poultry Husbandry Department: A tabulation of reports compiled by the School of Agriculture Poultry Department and the Experiment Station Poultry Department showed that the production yield from eggs incubated to be—

| | |
|-------------------------------|--------|
| Poultry Department | 35.83% |
| Poultry Experiment Department | 58.25% |

An examination of the reports showed that of the chickens incubated at the Experiment Department in the spring of 1948, 1090 chickens—or 31.3% of the production—were transferred to the Poultry Department. This number was in addition to 5,473 chickens produced by the Poultry Department. The tabulation of the report showed that 5,163 chickens were sold.

It is recognized that for proper teaching, poultry flocks of all ages are needed for educational purposes, but it would seem more advantageous to the Commonwealth to transfer to other State institutions the surplus of chickens not needed for the replacement of adult birds after class needs have been fulfilled. It is recommended that the Commission on Administration and Finance be notified by the University of this section of the University activities and the number of chickens available for transfer.

Disposal of Surplus Fruit: The following regulation governing the disposal of surplus fruit by the Pomology Department at the University became operational on August 23, 1948 and is posted on the bulletin board in that department:

"In compliance with University regulations concerning the sale of produce, surplus fruit can no longer be sold in small retail lots.

Minimum quantities for wholesale deals have been established as follows:

| | | | |
|----------|-------------|--------------|--------------------------|
| Apples | - 3 bushels | Grapes | - 10 2-qt. tils or 1 bu. |
| Pears | - 2 bushels | Strawberries | - 24 quarts |
| Peaches | - 2 bushels | Blueberries | - 24 quarts |
| Plums | - 1 bushel | Raspberries | - 24 pints |
| Cherries | - 24 quarts | Currants | - 12 quarts |

"The hours for wholesale dealings are 1:00 p.m. to 4:30 p.m., Monday through Friday, and all sales must be on a strictly cash basis.

Fruit may be designated as surplus and offered at wholesale only after the instruction and research needs of the Department of Pomology and Food Technology, and the needs of the Dining Halls, University Stores, and other State institutions have been satisfied.

Wholesale lots of surplus fruit may be sold to any person on the above basis, but advance orders cannot be accepted. Fruit requested by phone must be called for that same day, and no fruit is to be set out for the purchaser to pick up after hours."

It would seem that insofar as the sales of the surplus products are on a wholesale basis only these products might be sold to other State or tax supported institutions in the vicinity of the University rather than to some wholesale dealer.

The attention of the Commission on Administration and Finance is called to this regulation.

Internal Controls: The previous audit report commented in detail upon the internal controls of materials received and the routing of invoices for payment. This section of the University activities was again reviewed, and while im-

provements were noted there is much to be done before this section of the University is on an effective operational basis. At the present time the facilities provided for the central receiving room are not adequate for the volume of materials received by the University, in addition to which all materials received by the University do not pass through the records of the receiving room.

It is suggested that the proper University officials continue the study of this section of the University activities to insure the proper receipt of materials and equipment and the processing of invoices for payment.

Control of Non-Expendible Property Items: The preliminary report of the financial operations of the University for the year ended June 30, 1948 showed equipment valued at \$1,150,929.86. This amount includes laboratory and scientific equipment, automotive equipment, machinery and tools, office mechanical equipment, and furnishings and fixtures.

At the end of each fiscal year, each department in the University is expected to compile and submit to the Treasurer's office a physical inventory of property charged to and/or located in the departments. However, all departments had not submitted a copy of this inventory. Copies of inventories submitted by the various departments as of June 30, 1948 on file in the office of the University Treasurer were examined, and it was noted that only one of the submitted inventories was certified as being correct by the submitting department.

An attempt was made to verify the amount of \$1,150,929.86, and it was found that this was the amount used in the June 30, 1947 report of the Treasurer.

There is no master control record of furnishings or mechanical equipment maintained by the University. An attempt was made to verify, on a test basis, the actual physical properties against the inventories submitted. It was found that on one department inventory there was included a typewriter with the notation "lost" appearing after this particular item. This department has a delivery receipt for the machine, which was loaned to another department, but when the return of the machine was requested the machine could not be found.

The control of this type of property was discussed with the University Treasurer, who stated that the University recognizes the lack of proper controls and the responsibility for the protection of this type of property, and as a result a request for a new position which would provide for the maintenance of a perpetual control of this property has been included in the budgetary requests for the fiscal year 1950. This new position would be under the supervision of the purchasing officer of the University.

Personnel—Records and Pay Roll Disbursements: Including student labor pay roll, the pay roll for the month ending January 31, 1949 showed a total of 1,278 employees. The previous audit report commented upon the fact that there is no one location at the University where information on all personnel can be obtained. Attention is again called to this condition..

Teaching faculty members are appointed for one year at a time until the completion of three years, at which time the faculty member may acquire tenure and is appointed on that basis. All appointments of teaching faculty members are on a ten month basis, while the pay roll carries these employees on a twelve month basis. There are approximately 300 employees in this category, and all are paid on a twelve months basis. It is felt that if payment of salaries to this group of employees were on a ten months basis it would alleviate work of the pay roll section of the University.

It is suggested that this section be brought to the attention of the Division of Personnel and Standardization, and it is recommended that this Division review the entire personnel structure of the University.

Endowments: The previous audit report commented upon the following endowment funds:

Alvord Dairy Scholarship Fund: It was shown that the bequest under which this fund was established specified that the fund was bequeathed to:

"... The Massachusetts Agricultural College, Amherst, Massachusetts, provided that the present name and leading features of said col-

lege be not changed, to found a scholarship, to be known as the Alvord Dairy Scholarship"

On September 30, 1948 the balance in this fund was \$4,197.15 with accumulated income of \$1,195.19. The name of the college was changed by Chapter 127 of the Acts of 1932 to the Massachusetts State College, and again changed to the University of Massachusetts by Chapter 344 of the acts of 1947. The question has been raised in previous audit reports as to whether the trustees are complying with the original bequest in continuing to retain this fund.

Attention is again called to the provisions of this fund.

Danforth Keyes Banks Revolving Fund: This fund was established by the board of trustees by transferring \$5,000.00 from the Danforth Keyes Banks Endowment Fund, which had been allowed to accumulate from the original bequest of \$6,000.00.

As the Danforth Keyes Banks Fund was established by a bequest providing: ". . . the income thereof to be used annually . . ."

It was recommended in previous audit reports that the Attorney General be requested to examine the establishing of the Danforth Keyes Banks Revolving Loan Fund to determine if the fund could be properly set up under the term of the bequest. As yet this matter has not been clarified. On September 30, 1948 the balance in this fund was \$5,508.05.

Charles S. Plumb Fund: The bequest under which this fund was established states that one-half the annual income is to be awarded each year and the unspent half of the annual income is to become part of the original fund for the next fifty years after the plan goes into operation.

The records of the college show that no award has been made.

Half the income earned to June 30, 1948 was transferred to the principal account on June 30, 1948.

George H. Barber Fund: The income of this fund is to be used annually for the encouragement of general athletics among the student body as a whole. There have been no expenditures since prior to July 1, 1946 from this fund and accumulated income on hand September 30, 1948 amounted to \$2,982.01.

Disbursement of Endowment Income: In connection with checking the disbursements, several items were noted which appear to be questionable charges against the various endowment funds.

While it is recognized that certain endowment funds, particularly the Burnham, Session and Wheeler Funds, are not restricted insofar as expenditures are concerned as distinctly as are some of the other funds, it is thought that certain expenditures made from them should have been confined to matters other than the following:

BURNHAM EMERGENCY FUND

| | | | | | | | | | |
|-------|-----|------|----|---|--|--|--|--|---------|
| Sept. | 17, | 1947 | 4 | Luncheons | | | | | \$ 2.60 |
| Nov. | 3, | 1947 | | Printed Paper and Envelopes | | | | | 32.25 |
| Nov. | 3, | 1947 | | Traveling Expenses from Ellsworth, Maine to | | | | | |
| | | | | Amherst and Return | | | | | 25.73 |
| Nov. | 13, | 1947 | 3 | Suppers | | | | | 3.45 |
| Dec. | 9, | 1947 | 26 | Luncheons | | | | | 32.15 |
| Dec. | 12, | 1947 | | Room | | | | | 4.00 |
| Feb. | 2, | 1948 | 3 | Luncheons | | | | | 4.42 |
| Feb. | 19, | 1948 | 14 | Luncheons | | | | | 30.66 |
| Mar. | 22, | 1948 | 3 | Luncheons | | | | | 5.00 |
| Apr. | 28, | 1948 | 7 | Luncheons | | | | | 4.30 |
| May | 24, | 1948 | 6 | Luncheons | | | | | 4.50 |
| June | 2, | 1948 | | Printing | | | | | 21.00 |
| June | 9, | 1948 | 6 | Luncheons | | | | | 5.70 |
| June | 14, | 1948 | 4 | Commencement Luncheons | | | | | 3.80 |
| June | 15, | 1948 | | Room and Meals | | | | | 10.02 |
| June | 17, | 1948 | 12 | Commencement Luncheons. | | | | | 21.00 |
| June | 17, | 1948 | 1 | Luncheon | | | | | .40 |
| | | | | Printing | | | | | 9.00 |
| Aug. | 16, | 1948 | 3 | Luncheons | | | | | 2.85 |

\$222.83

SESSIONS FUND

| | | | | |
|------|----------|----|--|---------|
| Oct. | 28, 1947 | 32 | Luncheons | \$92.20 |
| Mar. | 9, 1948 | | Prints and Negatives for News Service | 44.98 |
| June | 2, 1948 | | Univ. of Mass. Share in Four College Conferences | 72.42 |
| June | 2, 1948 | | Univ. of Mass. Share in Four College Conferences | 9.98 |
| June | 2, 1948 | 4 | Luncheons | 6.95 |
| June | 2, 1948 | 2 | Luncheons | 7.00 |
| June | 30, 1948 | | Expenditures for meals for prospective staff members | 11.10 |
| June | 30, 1948 | | Traveling Expenses | 4.62 |
| Aug. | 7, 1948 | | Printing for President's Inaugural | 52.18 |

\$301.43

WHEELER FUND

| | | | | |
|-------|----------|----|---|---------|
| Sept. | 29, 1947 | | Telephone Calls | \$10.02 |
| Sept. | —, 1947 | 11 | Luncheons | 32.03 |
| Oct. | 20, 1947 | 4 | Luncheons | 3.80 |
| Dec. | 30, 1947 | 6 | Dinners | 23.63 |
| Jan. | 21, 1948 | 3 | Luncheons | 4.65 |
| Apr. | 16, 1948 | 4 | Luncheons | 2.60 |
| Apr. | 20, 1948 | 6 | Luncheons | 3.90 |
| Apr. | 20, 1948 | | Honorarium | 10.00 |
| Apr. | 20, 1948 | | Honorarium | 10.00 |
| Apr. | 29, 1948 | 7 | Dinners | 33.08 |
| May | 8, 1948 | | Travel from Topeka, Kansas to Springfield, Mass. & return | 97.39 |
| June | 9, 1948 | 14 | Luncheons | 13.30 |

\$244.40

Notes Receivable: Previous audit reports commented upon accounts totaling \$560.45 which had been returned to the Attorney General for collection and which had not been included in the general ledger balance. This was discussed with the University Assistant Treasurer, and it is again suggested that these accounts be included in the control account balances.

Interest Due on Notes Receivable: It is again recommended that interest on all overdue notes be added monthly so that interest due may be a matter of current record.

Boarding Hall: A previous audit report commented in detail upon the payment of an invoice which covered a payment for merchandise which had never been received by the Boarding Hall. The previous audit report stated:

"The seriousness of passing invoices for payment by the State Treasurer for merchandise never received by the Commonwealth is self-evident. It is, therefore, recommended that the Commission on Administration and Finance review all the elements of these two invoices and have the amounts expended reimbursed to the Commonwealth from the responsible employees."

Attention is again called to the recommendation in that previous audit report.

Boarding Hall—Materials and Supplies: A physical inventory of materials and supplies was taken on January 26, 1949. The following statement shows the results of this inventory.

| | | |
|---------------------------|--------------------|--------------------|
| Stock ledger value | | \$20,378.35 |
| Physical inventory values | \$21,245.00 | |
| Add: | | |
| Shortages | 1,340.23 | |
| | <u>\$22,585.23</u> | |
| Less: | | |
| Overages | <u>2,206.88</u> | <u>\$20,378.35</u> |

The control account in the general ledger was analyzed, and it was noted that the stock ledgers have not been in agreement with the control account since prior to July 1, 1948. The last proof of accuracy of the stock ledgers shown in the trial balance book was August 1948, although there were some entries for September and October 1948. There was no proof of accuracy for November, December, 1948, and January 1949.

Adjustments made during the period were tabulated and showed:

| | |
|-----------|------------|
| Overages | \$2,403.83 |
| Shortages | 1,737.53 |

Adjustments made by the manager of the Boarding Hall since July 1, 1948 and the month to which the adjustment applies is shown in the following statement:

| MONTH TO WHICH ADJUSTMENT APPLIES | | ADJUSTMENTS | |
|--------------------------------------|------|-------------|-----------|
| | | OVERAGES | SHORTAGES |
| July | 1948 | \$ — | \$ — |
| August | 1948 | 5.62 | 1.35 |
| September | 1948 | — | \$ — |
| October | 1948 | 71.87 | 11.83 |
| November | 1948 | 90.81 | 12.43 |
| December | 1948 | 41.32 | 5.94 |
| January | 1949 | 783.81 | 609.20 |

The foregoing adjustments were shown to the University Treasurer and Assistant Treasurer, together with the reasons given by the Boarding Hall manager for adjustments made in January 1949. Subsequently, it was advised, that the Boarding Hall manager had told the Treasurer that the large adjustments made in January, 1949 included variances known but not adjusted during the previous months.

Rules and Regulations contained in the Accounting Manual issued by the Comptroller's Bureau state:

"The Steward of the Institution will have charge of Adjustments and is to be held responsible for keeping the Stock Ledger balances reconciled with physical inventory balances of articles in stock.

"... After the entry in the Adjustment Book has been prepared and approved by the Steward, the Superintendent must approve it before the correcting entry can be made in the Stock Ledger"

At the University the Boarding Hall Manager is comparable to an Institution Steward for purposes of interpretation of the regulations only.

The adjustments made in the stock ledgers in January, 1949 aggregating \$1,393.01 were made without prior approval of the University Treasurer.

Following a recommendation made in the previous audit report, representatives of the Commission on Administration and Finance visited the University and reviewed the activities of the Boarding Hall. A report of this review is on file at the University from which the following comment is taken:

"In order to completely understand the problem of materials and supplies of the Boarding Hall, the undersigned analysts inspected the Storeroom on two separate occasions. On each visit the Manager, the Junior Accountant, and the Storekeeper were working on inventory variances. A physical inventory had been taken several days prior to the undersigned's visit. The physical inventory count did not agree with the control accounts. The errors being discovered were primarily clerical errors. In certain instances the storekeeper made incorrect counts alongside adjacent items on the inventory sheets. The clerical errors were caused by posting to wrong accounts, incorrect extensions in computing quarts to gallons, etc. After the clerical errors were corrected, the other variances were to be corrected.

"It was apparent that the condition which existed, when the Auditor checked the inventory in October 1947, still existed 6 month later"

An examination of the stock ledgers and the adjustments made from July 1, 1948 commented upon previously in this report shows that there has been little, if any, improvement in the control of materials and supplies from July 1, 1948 to January 26, 1949.

University Store: The activities of the University Store are divided into three classifications:

Textbooks
Supplies
Luncheonette

The textbook section represents the transactions in the purchase and sale of textbooks to students.

The supplies section represents the purchase and sale of class supplies and candy, tobacco, notions, etc., to students.

The luncheonette section represents the transactions in the purchases and sales of coffee, sandwiches, and an ice cream bar.

Gross cash receipts recorded on the records of the University Treasurer for the period under audit were:

| | |
|------------------------|---------------------|
| Textbooks | \$132,686.57 |
| Supplies | 92,167.03 |
| Luncheonette | 26,423.58 |
| Post Office | 400.00 |
| | <u>\$251,677.18</u> |

Because the accounting system is not designed for the ready verification of sales through inventories, conversion to selling prices was not attempted and inventories were not taken.

The previous audit reports contained the recommendation that the Comptroller's Bureau be requested by the University authorities to install a retail value system of accounting in the textbook and the supplies sections of the University Store. This recommendation was discussed with the University Treasurer, and it is understood that a study of an accounting system is in process.

Sales for the fiscal year ended June 30, 1948 increased \$64,325.48 over sales of the previous year. Sales were verified from copies of vouchers submitted to the Commonwealth and to the Veterans Administration for reimbursement of books and supplies issued to veterans students and to cash register tapes.

Purchases and expenses were verified by test to approved invoices on file in the office of the University Treasurer. It was noted that vouchers on file representing disbursements contained monthly statements or copies of purchase orders issued by the University Store in lieu of invoices from vendors. It was noted that invoices were paid within authorized discount periods and discounts were not taken. Specific attention is called to the following invoices:

| VOUCHER No. | DATE OF INVOICE | TERMS | AMOUNT OF INVOICE | DATE OF PAYMENT | DISCOUNT NOT TAKEN |
|-------------|-----------------|---------------------------------------|-------------------|-----------------|--------------------|
| 500 | Aug. 19, 1947 | 2%, 10 days | \$123.00 | Aug. 27, 1947 | \$ 2.46 |
| 511 | Aug. 4, 1947 | 2%, 10th prox. | 14.13 | Aug. 27, 1947 | .28 |
| 193* | June 30, 1948 | 2%, 10th prox. | 80.00 | July 26, 1948 | 1.44 |
| 162 | July 2, 1948 | 5%, 15th prox. | 3.30 | July 20, 1948 | .17 |
| 213 | July 2, 1948 | 2%, 10th prox. | 3.47 | July 26, 1948 | .07 |
| 364 | July 9, 1948 | 1%, 10 days EOM | 1.72 | Aug. 5, 1948 | .02 |
| 182 | July 16, 1948 | 2%, 10 days | 20.57 | July 26, 1948 | .41 |
| 203 | July 16, 1948 | 2%, 10 days | 7.19 | July 26, 1948 | .14 |
| 961 | Aug. 23, 1948 | | | | |
| | as of | | | | |
| | Oct. 1, 1948 | 1%, 10 days | 292.92 | Oct. 6, 1948 | 2.93 |
| 947 | Aug. 27, 1948 | 2%, Payable | | Oct. 6, 1948 | 5.92 |
| | | Oct. 10th | 295.88 | Oct. 7, 1948 | 34.53 |
| 1019 | Sept. 3, 1948 | 2%, 10 days EOM | 1,726.48 | Oct. 6, 1948 | .64 |
| 992** | Sept. 18, 1948 | 2%, 10th prox. | 32.13 | Oct. 6, 1948 | .09 |
| 957 | Sept. 20, 1948 | 2%, 10th prox. | 4.42 | Oct. 7, 1948 | .42 |
| 1019 | Sept. 23, 1948 | 2%, 10 days EOM | 21.07 | Oct. 22, 1948 | .05 |
| 1381 | Oct. 6, 1948 | 1%, 10th prox. | 4.75 | Oct. 22, 1948 | .25 |
| 1385 | Oct. 14, 1948 | "Last discount date is Oct. 23, 1948" | 12.32 | | <u>\$49.82</u> |

* Voucher No. 193 — Merchandise covered by this invoice did not appear in June 30, 1948 inventory.

** Voucher No. 992 — This voucher consisted of two invoices, on one of which the discount was taken.

Included among the disbursements were invoices covering the purchase of office equipment. This office equipment was purchased without competitive bidding, and in one case an adding machine purchased from a prior year's maintenance appropriation was traded, for which the University Store received an allowance of \$40.00. It is felt that this amount is revenue to the Commonwealth, and it is recommended that the amount of \$40.00 be transferred to the State Treasurer as income of the University.

A comparison of operating statements, as compiled by the University Store, for the fiscal years 1947 and 1948 analyzed to show the amounts of the merchandise sales is now shown:

| | 1947 | 1948 | INCREASE |
|---|---------------------|---------------------|--------------------|
| Sales: | | | |
| Total Sales: | | | |
| Per Report | \$162,188.24 | \$226,513.72 | \$64,325.48 |
| Less: | | | |
| 10% of VA Billings added thereto | 7,628.12 | 8,442.65 | 814.53 |
| Sales: | | | |
| Merchandise | <u>\$154,560.12</u> | <u>\$218,071.07</u> | <u>\$63,510.95</u> |
| Textbook Section: | | | |
| VA Sales | | | |
| Per Tabulation of Vouchers | 50,220.91 | \$61,073.18 | |
| Commonwealth Appropriation 3513-67 | | 11,069.54 | |
| All Other Sales | 21,031.24 | 36,475.41 | \$37,365.98 |
| | <u>\$71,252.15</u> | <u>\$108,618.13</u> | |
| Supplies Section: | | | |
| VA Sales | | | |
| Commonwealth Appropriation 3513-67 | \$19,538.02 | \$23,363.60 | |
| All Other Sales | 39,862.35 | 54,265.70 | 24,587.17 |
| | <u>\$59,400.37</u> | <u>\$83,987.54</u> | |
| Luncheonette Section: | | | |
| Total Sales | \$23,907.60 | \$25,465.40 | \$1,557.80 |
| Total | <u>\$154,560.12</u> | <u>\$218,071.07</u> | <u>\$63,510.95</u> |
| Cost of Sales and Gross Profit: | | | |
| Textbook Section: | | | |
| Cost of Sales | \$56,789.35 | \$92,462.73 | \$35,673.38 |
| Gross Profit | 14,462.80 | 16,155.40 | 1,692.60 |
| | <u>\$71,252.15</u> | <u>\$108,618.13</u> | <u>\$37,365.98</u> |
| Supplies Section: | | | |
| Cost of Sales | \$47,884.10 | \$67,854.54 | \$19,970.44 |
| Gross Profit | 11,516.27 | 16,133.00 | 4,616.73 |
| | <u>\$59,400.37</u> | <u>\$83,987.54</u> | <u>\$24,587.17</u> |
| Luncheonette Section: | | | |
| Cost of Sales | \$18,750.58 | \$19,954.39 | \$1,203.81 |
| Gross Profit | 5,157.02 | 5,511.01 | 353.99 |
| | <u>23,907.60</u> | <u>25,465.40</u> | <u>1,557.80</u> |
| Total | <u>\$154,560.12</u> | <u>\$218,071.07</u> | <u>\$63,510.95</u> |
| Gross Profit Total | <u>\$31,136.09</u> | <u>\$37,799.41</u> | <u>\$6,663.32</u> |
| Expenses Total | \$24,712.98 | \$35,045.81 | \$10,332.83 |
| Net Profit — Merchandise Sales | 6,423.11 | 2,753.60 | (3,669.51) |
| | <u>\$31,136.09</u> | <u>\$37,799.41</u> | <u>\$6,663.32</u> |
| Net Profit Before Depreciation, but Including Other Income | <u>\$14,388.73</u> | <u>\$11,596.25</u> | <u>\$2,792.48</u> |

The preceding comparison showed an increase of \$10,332.83 in operating textbooks sales increased \$37,365.98 with only a resultant increase in gross profit of \$1,692.60, or approximately 4.53% of the sales increased in this section of the store. The Manager of the University Store was asked if any change had been made in the mark-up policy, and it was advised that the policy of "Cost Plus 15%" had been the same in both years. However, when the preceding comparison was shown to the Manager, it was advised that during the first part of the 1947 fiscal year, sales to the Veterans Administration were made at List Prices, while the sales of others than the Veterans Administration were at "Cost Plus 15%". However, during the remaining part of the 1947 fiscal year all sales were of the "Cost Plus 15%" basis. Textbooks sales to the Veterans Administration and to the Commonwealth in 1948 aggregated \$72,142.72 which was an increase of \$21,921.81 over the sales to the Veterans Administration in 1947. Other textbooks sales increased \$15,444.17 in 1948 over 1947. This increase in other textbooks sales alone should have shown an increase in the gross profit from sales of more than \$2,000.00 as compared to a total increase of only \$1,692.60.

The preceding comparison showed an increase of \$10,332.82 in operating ex-

penses, of which \$8,902.47 is in personal services. An analysis of this account shows:

ANALYSIS OF PERSONAL SERVICES
FOR FISCAL YEARS 1947 AND 1948

| | 1947 | 1948 | INCREASE |
|---------------------------|--------------------|--------------------|-------------------|
| Student Labor | \$ 9,056.90 | \$11,031.17 | \$1,974.27 |
| Other Personnel | 12,828.01 | 18,946.21 | 6,118.20 |
| Total | <u>\$21,884.91</u> | <u>\$29,977.38</u> | <u>\$8,092.47</u> |

In view of the increase of this activity of the University of which the Commonwealth is maintaining a portion, as commented about in other sections of this report, it is recommended that this activity be maintained on a revolving fund basis comparable to the industries in the institutions of the Department of Correction, with all receipts being deposited with the State Treasurer and all payments being made by the State Treasurer.

Bond for Military Property: A non-premium surety bond in the principal amount of \$125,000.00 which is on a standard Department of the Army, Q.M.C., form headed:

"Bond for Safe Keeping of Public Animals, Arms Uniforms and Equipment and means of Transportation, Issued to Educational Institutions under Section 47, National Defense Act of June 3, 1916 as Amended by Act of June 4, 1920."

has been executed by the Treasurer of the University of Massachusetts upon authorization of the Board of Trustees.

From a bond in the amount of \$70,000.00 which was superseded by the \$125,000.00 bond, the following section was taken with the understanding that the bond for \$125,000.00 reads the same:

"Massachusetts State College, a college organized and existing under the laws of the State of Massachusetts, G. L. Chap. 75, are held and bound unto the UNITED STATES OF AMERICA in the penal sum of (One Hundred Twenty Five Thousand) dollars, to the payment of which sum, well and truly to be made, we bond this college, as agency of the Commonwealth of Massachusetts firmly by these presents."

No copy of the bond for \$125,000.00 was seen, but it is understood that there has been no prior approval of the bond by the Governor and Council and neither has the Legislature authorized the University, either by appropriation act or otherwise, to obligate the Commonwealth for the amount of this bond.

It is recommended that this bond and all elements related thereto be referred to the Attorney General for opinion.

UNIVERSITY OF MASSACHUSETTS AT FORT DEVENS REPORT No. 2579

Closing of Colleges: In accordance with present plans it is the intention to close this college as of June 30, 1949. House Bill #2460, now before the current session of the General Court for action, reads as follows:

UNIVERSITY OF MASSACHUSETTS AT FORT DEVENS. SPECIAL:

3513-23 The unexpended balance remaining in this item as of the effective date of this act, from the appropriation authorized in section two of chapter one hundred and ninety-eight of the acts of nineteen hundred and forty-eight, is hereby reappropriated and made available for expenditure, under the authority of the state purchasing agent, as a special appropriation, so called, as provided in section fourteen of chapter twenty-nine of the General Laws, as amended, for personal services and expenses in connection with the closing of the college for veterans at Fort Devens. The responsibility of the augmented board of trustees

of the University of Massachusetts, established under chapter five hundred and ninety-six of the acts of nineteen hundred and forty-six, with respect to the establishment, operation and termination of a branch of said university for providing instruction to certain veterans of World War II, shall cease on June thirtieth in the current year.

BRADFORD DURFEE TECHNICAL INSTITUTE OF FALL RIVER REPORT No. 2571

Accounts Receivable: The balance of \$723.06 due from the City of Fall River for the use of the so-called Continuation School, mentioned in several previous audit reports, is still outstanding, and it is again suggested that it be referred to the Attorney General for disposition.

Tuition: By vote of the Board of Trustees on April 10, 1947, the tuition to all students entering the Institute for the first time after September 1, 1947 will be \$50.00 per semester for residents of Massachusetts, and \$125.00 per semester for non-residents, including foreign students.

The vote of the Board of Trustees established the tuition fee for foreign students for this school at \$250.00 per year, whereas, at the New Bedford Textile Institute, for identical courses, the tuition fee for foreign students is \$500.00 per year.

Deposits: By vote of the Board of Trustees on April 10, 1947, beginning September 1, 1947 the deposits for all students taking chemistry will be \$15.00 for the first year and \$25.00 a year thereafter. Other students using the shop or laboratory facilities will be required to deposit \$10.00 at the beginning of each year. After deducting for any breakage, the balance will be refunded.

Inventory of Students' Supplies: An inventory of the Students' supplies was taken on the date of this audit. An attempt to reconcile this inventory revealed that the Purchase Journal was inaccurate and incomplete, and that there was a difference of several hundreds of dollars. It was found that numerous invoices had been entered twice and others had been omitted.

It is therefore suggested that the entire transactions relating to students' supplies for the current period be reviewed for the purpose of establishing the actual difference.

Special Appropriations: The balance in the Special Appropriations accounts in the general ledger are not correct due to the improper bookkeeping. The balances reported in the financial reports do not agree with those in the general ledger.

It is suggested that the Comptroller's Bureau review all bookkeeping entries relating to the special appropriations for the purpose of straightening out these accounts and also give instructions in the proper handling. These accounts were not reconciled with the Comptroller's accounts and expenditures were not checked.

Accounts Receivable Ledger: It was stated in the previous audit report:

"It is the practice at this institution to use several ledgers and memorandum books to record accounts receivable. Due to this practice and the method of entering, much difficulty was experienced in analyzing the accounts receivable. It is again suggested that the Comptroller's Bureau be requested to install the prescribed accounts receivable ledger and to give instructions in its proper use."

There was no action taken on this suggestion.

Due to the methods of handling the accounts receivable at this institution, much difficulty was again experienced and time consumed in an attempt to analyze the income. The verification of this income is not wholly satisfactory. The present records are inadequate and are different from those prescribed by the Comptroller's Bureau. Trial balances of the accounts receivable had not been taken during the period under audit.

It was found that charges amounting to approximately \$850.00 had been omitted. The general ledger control account for March 31, 1949 shows a bal-

ance of \$26,151.57, whereas a list of the accounts receivable outstanding as of March 31, 1949, which was taken subsequent to the audit date totals \$27,008.11, a net difference of \$856.54.

It is imperative that all records and methods of handling income be reviewed immediately and that the correct balance of the accounts receivable be established and reflected in the records.

Sales Slips: It was noted that the standard sales slips are not being used for the sale of students' supplies to veteran-students.

Trust Funds: Section 43 of Chapter 74 of the Tercentenary Edition of the General Laws, as amended by Chapter 257 of the Acts of 1946, reads:

"The Board of trustees of each of said institutes shall be a corporation for the purpose of taking by gift, bequest, or devise any real or personal property."

As has been stated in previous audit reports, the Board of Trustees voted on November 4, 1932 to transfer the management of all trust funds entrusted to its care to the B.M.C. Durfee Trust Company.

The agreement in effect allows the trust company to retain the custody of the securities, collect and distribute the income, subject, however, to the direction and vote of the trustees. A nominal charge is made by the trust company for these services.

Puerto Rico Industrial Development Fund: This fund was established by the Puerto Rico Development Company to aid students from Puerto Rico attending this Institute. The principal of this Institute is Trustee of the fund.

LOWELL TEXTILE INSTITUTE REPORT No. 2506

Bookkeeping—General: This school in common with most other state institutions, is considerably behind in its bookkeeping, due partly to insufficient personnel, unsatisfactory methods of handling charges for tuition, students' deposits, etc. and the necessity of waiting for the proper recording of encumbrances to come from the Comptroller's Bureau.

Charges for tuition have been entered in the accounts receivable account at the time payment is made and therefore this folio does not reflect outstanding accounts receivable due to the school.

No accounts are kept in the general ledger for individual special appropriations.

A special fund of \$2,000.00, given by the Koppers Company to pay for research and special work is carried as a special appropriation. This should be corrected.

Special Service Account: It was difficult to identify the monthly charges to this account as the journal entries show no detail.

Tuition Costs: The institution has compiled figures showing that the cost of instruction of each student is \$383.50 per year. It is therefore difficult to understand why 142 out-of-state students are required to pay only \$250.00 per year while the taxpayers of this State are forced to pay the difference. On this basis, it costs the taxpayers of this State approximately \$19,000.00 for the education of students from other states during the past school year.

Athletic Fund: It was noted that the former bursar of the school is still treasurer of the athletic fund and that the present bursar acts only as a collector from the students of their deposits. The present athletic fund treasurer receives what the bursar turns over to him, but he obviously can not be certain that everything is being accounted for. Unpaid accounts are not reflected in the athletic fund records. It is suggested that all charges and credits to the athletic fund pass through the accounts receivable fund account in order that all aspects of the accounts may be clearly indicated.

Publication Fee: There is now in effect a fee which provides for the publication of the various college periodicals which is assessed against each stu-

dent on the same basis as the athletic fee. This should also pass through the accounts receivable fund account for better control.

Miscellaneous Income: Income from the Coca-Cola vending machines and the Canteen vending machines is contributed to the Library Fund for the purpose of developing the library. This practice is questioned and it is suggested that the Comptroller furnish instructions for the future disposition of this income.

Lowell Textile Associates, Inc.: This corporation maintains the Book and Supply store at the institution. Up to September 9, 1948 the following amounts had been transferred from this activity to the Special Fund:

| | | |
|--|----------|--------------------|
| Transfer of securities (book value) June 12, 1935 | | \$10,029.50 |
| Notes receivable, June 12, 1935 | | 1,117.73 |
| Transfer for purchase of securities, June 12, 1935 | | 1,200.00 |
| Transfer of cash, May 17, 1937 | | 2,000.00 |
| Transfer of cash, November 19, 1938 | | 1,050.00 |
| Transfer of cash, June 18, 1940 | | 1,000.00 |
| Transfer of cash, July 14, 1948 | \$500.00 | |
| Less: | | |
| Transfer to store account | 350.00 | 150.00 |
| | | <u>\$16,547.23</u> |

Lowell Textile Institute Building Association: This association was formed for the purpose of constructing, equipping and maintaining buildings for dormitories and other uses connected with the Lowell Textile Institute pursuant to Chapter 428 of the Acts of 1946. This association was organized on June 24, 1946 and held its first meeting on that date. The by-laws were enacted and the following officers elected:

| | |
|---------------------|---------------------|
| President | Samuel Pinanski |
| Vice-President | Roland E. Derby |
| Vice-President | Albert J. Gilet |
| Vice-President | Carlton J. Lombard |
| Treasurer | E. Perkins McGuire |
| Assistant Treasurer | Harold T. Godfrey |
| Clerk | Henry L. Mason, Jr. |

Construction of the first dormitory was started on March 18, 1947 and is now in use. The construction of a second dormitory is progressing and should be available for use in the summer of 1949. This second dormitory was authorized by Chapter 439 of the Acts of 1947.

Library Association: This association was organized in August 1947 for the purpose of assisting in the development and maintenance of the institution library. It is planned to acquire by gift, purchase or otherwise, money and real and personal property of any description for the above mentioned purpose. This account was not examined at this time.

Joseph P. Kennedy Jr. Scholarship Fund: Honorable Joseph P. Kennedy started this fund with a gift of \$1,200.00 for the creation of a fund in memory of his son who was killed in World War II.

There have been no expenditures from this fund to date.

NEW BEDFORD TEXTILE SCHOOL REPORT No. 2560

State Accounts: The reconciliation of cash on February 11, 1949 showed a shortage of \$11.40.

Income: It was noted that there were no approvals by the Purchasing Bureau for miscellaneous sales of scrap iron, waste, old furniture, etc. amounting to \$649.72 during the audit period.

Accounts Receivable: It was noted that there are twelve old accounts totaling \$72.78, eight of which are outlawed by the Statute of Limitations, that should be referred to the Attorney-General for disposition. All other accounts are less than one year old.

General Ledger: Postings to the ledger were not up-to-date, therefore, a trial balance as of February 11, 1949 was not taken.

Bookkeeping and Records: It was noted that the Expense Ledger for the fiscal year 1948 had not been maintained. The budget request for the fiscal year 1948 could not be located by the Institute official.

Cash Sale Books: Sales Books Numbers 15580 and 15680, which were missing at the time of the previous audit, were now available for audit and were examined in connection with the current examination.

Special Appropriations: The institution records on account of special appropriations show a disbursement of \$10,463.10 for contractual work done in the Chemistry Laboratory which has not been allowed by the Comptroller.

The Comptroller refused to approve this payment because the provisions of Chapter 29, Section 8A of the General Laws, as most recently amended by Chapter 547 of the Acts of 1941, regarding public advertising in newspapers or trade periodicals before awarding contracts, was not complied with and because the contract had not been approved by the Attorney General's office.

It was learned from the principal of the school that a bill was introduced in the current session of the legislature for authority to pay this claim.

Students' Deposits: It was noted that \$524.00 on account of chemistry fees and \$17.00 on account of lost keys are included in the Students' Deposits balance of \$572.25.

As both of these items represent income accruing to the Commonwealth they should be transferred to the State Treasurer as soon as possible.

Trust Funds: In December 1947 the Edgar and Emily Hesslein Fund Inc. donated \$5,000.00 for a fund to be known as the Edgar and Emily Hesslein Scholarship Fund.

This fund is to be used for scholarships to students as designated by the board of trustees.

As of the date of the audit there had been no disbursements from this fund.

Athletic Fund: On October 18, 1948 the trustees voted that the balance of the Athletic Fund, together with any additional amounts that might be added, should be turned over to the New Bedford Textile Institute Athletic Association. On January 5, 1949 \$200.00 was transferred and on February 9, 1949 an additional \$1,000.00 was transferred.

At the present time the Athletic Fund, which is carried in the General Ledger, is used merely to record the receipt of student athletic fees, refunds of fees to students, and the transfer of the fees to the Athletic Association.

Canteen Fund: On October 18, 1948 the trustees voted that the balance of the Canteen Fund be turned over to the New Bedford Textile Institute Athletic Association. On February 10, 1949 the balance of \$632.84 was turned over to the Athletic Association and the Canteen Fund was discontinued.

Money received from commissions on vending machines is now turned over directly to the Athletic Association.

Athletic Association Fund: In September 1948 the board of trustees voted that a faculty committee be appointed to have charge of all athletics.

In October 1948 the board of trustees voted that the balance of the Athletic Fund and the Canteen Fund be turned over to the New Bedford Textile Institute Athletic Association and that the said Association conduct all athletics at the New Bedford Textile Institute.

Because the Athletic Association was not formally organized, the New Bedford Textile Institute Alumni Association, which has no official connection with the school, supervised the athletic program.

On September 28, 1948 the Alumni Association turned over a cash balance of \$2,296.50, which apparently represented receipts from donations, program advertising, and net proceeds of the first football game, to the Athletic Association. This is the first record indication on the books of any financial transaction in the Athletic Association.

On the same date the Alumni Association presented bills in the amount of \$881.92 which it had paid for equipment and supplies on behalf of the Athletic

Association. This amount had not been reimbursed as of the date of the current audit.

A reconciliation of cash account disclosed that the cash book balance was overstated by \$8.00. This was the result of duplicating the recording of a check which had been returned by the bank for lack of endorsement.

In connection with this fund it was noted that, in addition to the bills submitted by the Alumni Association, there are other bills outstanding in the amount of \$2,541.86 payments for which have been arranged to be made over a two year period.

Due to the inadequacy of the bookkeeping system and to the inexperience of the personnel handling it much difficulty was encountered in checking the Association's records.

There is a balance of \$629.80 in the Athletic Fund which is to be turned over to the Athletic Association at a later date.

The balance in the Athletic Association Fund as of the audit date was \$1,770.79.

It is suggested that an adequate bookkeeping system be installed and that the personnel handling it be properly instructed in its operation.

New England Textile Foundation Grants: In October 1947 this school received two grants, totaling \$8,000.00 from the New England Textile Foundation to be used for equipment and salaries. The Foundation allotted \$6,000.00 for equipment and \$2,000.00 for salaries.

In addition to the above grants the Foundation notified the Institute in October 1948 that it had been granted \$11,400.00 for equipment and \$8,820.00 for faculty aid.

In this instance the institution will be credited with these grants. The foundation will order the equipment, hire the teachers and make the payments directly to the vendors.

Book and Supply Department Fund: In September 1948 a separate book and supply store, to be operated for the benefit of the students, was instituted.

Books in the amount of \$4,676.56 were purchased with funds from the New England Textile Foundation grant to start the bookstore. Receipts from the sale of these books were used to continue the operation of this store.

There was no cash book; but, an analysis of receipts and disbursements was compiled from available data. A comparison of the bank balance with this analysis showed a difference of \$3.26.

The inventory taken as of February 11, 1948 resulted in a shortage of \$47.94. This is equal to 0.6% on sales of \$7,979.92.

It is recommended that a suitable bookkeeping system be installed, that the cash be balanced daily, and that the cash be deposited in the bank at regular intervals—daily if possible.

SCHOOL BUILDINGS ASSISTANCE COMMISSION REPORT NO. 2609

Payments by Commonwealth to Cities and Towns under Chapter 645 of the Acts of 1948: This Commission was created to encourage the establishment of regional and consolidated public schools and to provide financial assistance to cities and towns in the construction of school buildings.

Any city, town, or regional school building committee may apply to the Commission for reimbursement, in whole or in part, of any expenses incurred on or after January 1, 1946 in the preparation of preliminary studies, plans, drawings and estimates for a consolidated or regional school.

Any city, town or regional school district may further apply to the Commission for a school construction grant to meet in part the cost of an approved school project or the service of any debt incurred therefor. The grant in the case of any approved school project in any city or town shall be approved for an amount equal to at least twenty per cent, but not more than fifty per cent of the approved cost. The grant in the case of any approved school project in any regional school district shall be approved for an amount equal to at least twenty-five per cent, but not more than fifty-five per cent of the approved cost.

Payments approved for expenses and construction grants will be made by the State Treasurer, after certification to the Comptroller by the Commission, from any funds appropriated therefor.

The city or town, providing it fulfills the requirements as set forth in Chapter 645 of the Acts of 1948, will be paid in amounts varying from twenty to fifty-five per cent of the cost in accordance with statutory provisions as approved by the Commission.

The total Construction grant, by the Commonwealth, in the case of any project to be financed from the proceeds of any sale of bonds or notes to the extent of fifty per cent or less of the approved cost, will be paid in five equal annual installments beginning in the calendar year in which the construction of the project has been commenced.

In the case of all other projects the amount paid will be in equal annual parts to be determined by dividing the total grant by the number of years during which any indebtedness shall remain outstanding. Annual payments in this instance will begin in the calendar year in which the first payment of principal and interest on account of the indebtedness shall become due and payable or in 1949, whichever is later.

The provisions of Chapter 645 of the Acts of 1948 creating the Commission and empowering it to perform the duties hereinbefore mentioned took effect on July 1, 1948 and shall cease to be operative on June 30, 1951 except that payments provided for shall be continued thereafter by the State Treasurer, subject to appropriation, on certification of the Commissioner of Education.

To date of audit, June 30, 1949, no payments had been made to the cities and towns either for expenses or for construction grants. It was understood from the Administrator that the Commission, to the present date, has been more or less in the formative stage. However, approximately two hundred cities and towns have shown an interest in the program and it is estimated that in the 1950 fiscal year the Commission will become increasingly active. In this connection it was noted that an appropriation of \$600,000.00 has been made by the Legislature for the coming fiscal year for reimbursement of cities and towns for part of the cost of construction of school projects, as authorized by Chapter 645 of the Acts of 1948.

Financing: In view of the substantial contributions which the Commonwealth is pledged to, under this plan, it is recommended that the existing statute be amended so that borrowings for school building purposes will be made under the direct credit of the Commonwealth.

The following is a list of recent borrowings by local cities and towns for school purposes:

| DATE OF ISSUE | CITY OR TOWN | AMOUNT | INTEREST RATE PER CENT | PERIOD OF ISSUE |
|------------------|-----------------|----------------|------------------------------|--------------------|
| 7/1/49 | Lowell | \$1,000,000.00 | 2½ | 20 years |
| 5/5/49 | Lynn | 200,000.00 | 2 | 15 years |
| 2/1/49 | Agawam | 399,000.00 | 2 | 20 years |
| 4/1/49 | Charlton | 210,000.00 | 2½ | 20 years |
| 4/1/49 | Brookline | 1,016,000.00 | 1¾ | 20 years |
| 5/15/49 | Holden | 570,000.00 | 2 | 20 years |
| 4/1/49 | Oxford | 300,000.00 | 2½ | 20 years |
| 6/1/49 | Lanesboro | 250,000.00 | 2½ | 20 years |
| 5/1/49 | Billerica | 380,000.00 | 2 | 19 years |
| 7/1/49 | Arlington | 1,237,000.00 | 1¾ | 20 years |
| 7/1/49 | Framingham | 164,000.00 | 2 | 20 years |
| 7/1/49 | Natick | 637,000.00 | 2 | 20 years |
| 7/15/49 | Canton | 537,000.00 | 2 | 20 years |
| 7/15/49 | Norwell | 300,000.00 | 2½ | 20 years |
| 7/1/49 | North Reading | 240,000.00 | 2 | 20 years |

By comparison the Commonwealth has recently made the following borrowings:

| DATE | PURPOSE | AMOUNT | INTEREST RATE PER CENT | PERIOD OF ISSUE |
|---------|-------------------|---------------|------------------------------|--------------------|
| 6/28/49 | Fall River Harbor | \$ 300,000.00 | 1.6 | 10 years |
| 6/28/49 | Capital Outlay | 6,000,000.00 | 1.6 | 13 years |
| 6/28/49 | Logan Airport | 6,000,000.00 | 1.6 | 16 years |
| 6/28/49 | Boston Harbor | 3,500,000.00 | 1.6 | 20 years |
| 6/28/49 | Met. Sewer | 2,000,000.00 | 1.6 | 20 years |

Attention is directed to the fact that that recent bonds of the Commonwealth have been issued at an interest rate of 1.6%. Similar borrowing by local communities have paid interest at a rate between 1¾% and 2½%. Should the present statute be amended in the manner suggested herein, substantial savings to the taxpayer will result immediately and continue for the next twenty years.

INDUSTRIAL ACCIDENT BOARD
GENERAL DEPARTMENT REPORT No. 2532

Accounts Receivable Control: Under date of March 24, 1948 authorization was given by W. Forbes Robertson, Director of Accounts in the Department of the Attorney-General, "to cancel and write off" the balance in the Accounts Receivable Control Account of the Industrial Accident Fund noted in the previous audit report.

Foreign Deposition Fund: A balance in this account of \$41.58 has been carried on the books and in the bank account with the advance money for several years. There has been no activity in this account during the year. It is recommended that arrangements be made to close out this account.

DEPARTMENT OF LABOR AND INDUSTRIES
GENERAL DEPARTMENT REPORT No. 2559

Division of Industrial Safety—Homework Permits: Section 147 of Chapter 149 of the Tercentenary Edition of the General Laws authorizes the issuance of such permits to employers and provides for a fee of \$50.00 for the original permit and annual renewal fees of \$50.00, \$100.00, \$200.00 and \$300.00 depending on the number of persons employed in the preceding calendar year. It was noted that in one case a renewal permit was issued to an employer for \$50.00 in February 1949, although the 1948 monthly reports from this employer showed a fee of \$100.00 should have been charged. This matter was called to the attention of the Director of the Division who stated that action will be taken to collect the balance due the Commonwealth.

Renewals of Painters' Riggers Licenses and Renewals of Registration of Painters' Rigging: It was noted that the annual renewal forms are not serially numbered when printed but are numbered by numbering machine when issued and at the end of the period the stamp is turned back to the number "one".

It is understood that a locking device called a "collar" can be attached to a numbering stamp after which the stamp can be turned back only by using the particular key which accompanies the collar. It is suggested that if practical "collars" be attached to the numbering stamps, the keys to remain in the custody of a responsible official of the division and when the stamp is turned back a record be made by that official of the last number.

Receipt Voucher and Refund of Receipt Voucher: The previous audit report stated:

"It was noted in the Division of Necessaries of Life and the Division of Industrial Safety, that the Receipt Vouchers, Refund of Receipt Vouchers, and the Receipt Voucher Number on the Refund of Receipts Vouchers are not numbered.

"It is suggested that all these forms be numbered consecutively, and the number of the receipts voucher on which the deposit was originally made be recorded on the Refund of Receipts Voucher."

It was noted that these suggestions have been complied with.

General Ledger Index: The previous audit report stated:

"It is suggested that account names and ledger page numbers of accounts in the general ledger be entered in the index section of the ledger."

It was noted that this suggestion has been complied with.

Journal Entries: The previous audit report stated:

"It is suggested that all journal entries be approved and signed by some person of authority."

It was noted that this suggestion has been adopted.

LABOR RELATIONS COMMISSION REPORT No. 2584

Balance of Cash: It was noted in reconciling the 1948 Fiscal Year income that \$4.42 was not recorded in the cash book, but was on a receipt voucher and was brought onto the books by a closing entry of the Comptroller. It was further noted in the 1949 Fiscal Year \$8.16 was not entered on the cash book but had been deposited with the State Treasurer. It is important that all cash receipts be recorded in the cash book.

DIVISION OF EMPLOYMENT SECURITY REPORT No. 2566

General: Funds for unemployment compensation payments and for administration of the State Division of Employment Security are provided for by a maximum tax of 3% assessed against pay rolls. Funds expended in Massachusetts for these purposes are provided for or offset entirely by collections from employers within this Commonwealth. Employers with good records for continuous employment are permitted reductions from the maximum levy of 3%, and, as a result of business conditions during the past few years, the percentage of this tax to many employers has been reduced to as little as .5%.

Irreducibly included in this tax is an assessment of .3% collected from employers which, while it is not segregated for this purpose, offsets the sums provided by the Federal Government to administer unemployment compensation. Under this levy, from available statistical records it is estimated that Massachusetts employers. It was not possible to determine from this audit if any part 1948 (collected in each case in the following year) approximately \$72,000,000. As an offset to this Federal revenue, the Commonwealth has had returned to it for administration of the State Division of Employment Security approximately \$37,000,000.00, or approximately 51% of the total collected from Massachusetts employers. It was not possible to determine from this audit if any part of the excess collected from Massachusetts has been distributed to other States; however, the most recent figures available indicate that the Federal Government has collected \$920,000,000.00 more than has been returned to the various states. Of this surplus, Massachusetts taxpayers have contributed approximately \$35,000,000.00; yet, despite this large surplus, the Massachusetts Division of Employment Security has been held by the Federal Social Security Board (which agency controls the distribution of administrative funds) to a bare minimum of the funds necessary for proper and current administration.

It does not appear to be a proper operation in government to thus accumulate needless surpluses in restricted funds as a result of excessive taxation. To correct this situation, the present Federal surplus accumulated by these collections should be distributed to various states in the same proportion by which it was accumulated, and the provisions of the law should be altered so that these funds will henceforth be collected directly, then retained, and administered by the various states. If this procedure is adopted, and the funds, so collected, are reserved only for administration of the Division of Employment Security, it is entirely reasonable to expect, in consideration of the prevailing surplus, and on the basis of normal administrative costs, that an immediate and substantial reduction in the present rate of this tax can be anticipated by Massachusetts employers and taxpayers.

Legislation affecting these changes cannot be enacted by the Massachusetts General Court, but must be ordered by Congress.

Administration Expense—Funds Allowed by the Federal Government for Fiscal Year Ending June 30, 1949: Funds allowed for administrative purposes for this fiscal year have been less than the amount necessary to cover the estimated expenses for the period. At the date of the audit the balance of funds

allotted for this purpose would be sufficient to cover administrative expenses only through April 15, 1949. Efforts were being made to get additional funds sufficient to cover expenses to the end of the fiscal year.

A suggestion from the Advisory Council of the Division relating to administration, taken from the Council's 1949 Biennial Report is as follows:

EXCERPT TAKEN FROM
1949 BIENNIAL REPORT OF STATE ADVISORY COUNCIL,
DIVISION OF EMPLOYMENT SECURITY
(Explanation as to Need for Special Administrative Fund)

“II. Administrative Amendments:

The Advisory Council suggests the following amendments for consideration which will further perfect the law and facilitate the administration thereof. They may be grouped as follows:

1. To Guarantee the Continuation of Benefit Payments in the Event of Controversies Between the Commonwealth of Massachusetts and Federal Agencies.

Whereas the administration of the Massachusetts Employment Security Law as enacted by the Great and General Court of the Commonwealth is the subject matter of concern to the Commonwealth exclusively, control of the purse strings by the Federal government has caused the latter to assume an authority to dictate to the Great and General Court what the law should be and that of supervising and reviewing the administration of the law.

The present situation of the Division and the Commonwealth is extremely embarrassing. The Director of the Division, in keeping with the policy of providing the greatest amount of service to the people of the Commonwealth at the lowest possible cost, submitted proper budgets to the Federal government. The Federal authorities arbitrarily failed to provide funds adequate to efficiently administer the law, and the results have been the ultimate lack of service, accumulation of backlogs and inconvenience and delays to both claimants and employers.

The Advisory Council fully appreciates that the current unusual situation will recur whenever Federal authorities in their judgment and discretion fail to provide adequate funds for the proper and efficient administration of the Employment Security Law. There is always the possibility that for lack of funds the Division may be forced to close all of its offices at any time. Thirty-one States have already enacted laws creating funds to provide for such an emergency. Recognizing that with such funds there would be no interruption or delay of benefit payments pending settlement of any controversy or dispute which may arise between the Commonwealth of Massachusetts and the Federal authorities, the Advisory Council recommends that legislation be enacted which will permit the creation of a special administrative fund comprising the following:

- (a) Interest and penalties collected from delinquent employers. At present these funds are being placed into the Unemployment Trust Fund, although in character they are not contributions as defined in the law.
- (b) Any voluntary contributions that may be made to the Fund and any moneys that may be appropriated by the Commonwealth for the purpose of this Fund.
- (c) A three-tenths of one per cent contribution to be levied against the pay rolls of all employers subject to the Employment Security Law, subject to existing limitations.”

Payment of Claims: As a part of this audit, a survey was conducted to determine the currency of the processing and payment of claims by the Division,

Claims received by the State office from local offices were examined over a period to determine if delays existed locally in forwarding claims to the State office. No unusual or unavoidable delays were noted.

Claims referred to the Determination and Adjustment Division of the main office for review and determination were also examined, and despite the involved nature of many of the claims referred to this section, no unnecessary delays were found.

The only section of the entire Division where any considerable number of claims were found to be pending was in the Board of Review and as of February 28, 1949, there were 3,187 benefit claims and 480 readjustment claims waiting settlement by that unit. By way of further analysis, the claims waiting review by the Board from only one of the twenty-two district offices were aged and the following schedule indicates the length of time these claims had been held by the board:

| DATE RECEIVED BY BOARD OF REVIEW | NUMBER OF CLAIMS |
|----------------------------------|------------------|
| 1948 | |
| August | 3 |
| September | 5 |
| October | 21 |
| November | 15 |
| December | 67 |
| 1949 | |
| January | 32 |
| | <u>143</u> |

While this condition is not desirable, the fault lies not with the Board of Review, for sufficient experienced personnel has not been allowed to the Board for current processing of claims. Settlements require extensive knowledge of all laws and regulations relating to unemployment compensation, and responsibility for the situation must rest with the Social Security Board, for sufficient funds have not been made available to the Division to provide the needed personnel for this work.

Reconciliation of Bank Accounts: Both bank accounts were reconciled during the current audit and in this connection, it was noted that there were 2,778 outstanding checks totaling \$35,080.00, dating from January 31, 1938 to February 4, 1948 on the Benefit Payment Account. Included in the Readjustment Account were 963 outstanding checks totaling \$19,221.00, dating from September, 1944 to February 4, 1948, and it is again recommended that checks one year old or more be canceled and the proceeds set up in an Unpaid Check Fund.

Adjustments totaling \$7,301.00 were found necessary in reconciling the Benefit Payment Account and similar adjustments totaling \$7,280.00 were needed to effect a reconciliation of the Readjustment Account. These adjustments to correct errors made in charging checks to the wrong account, duplicate listings, and errors in check listings, resulted almost entirely from intermingling of Veterans' Readjustment and Unemployment Compensation checks at the bank, since both the Benefit Payment and Veterans' Readjustment bank account are placed with the same depository. The use of different colored checks for these accounts has apparently not provided sufficient protection in this matter.

In the reconciliation of the bank accounts, it was noted that a total of \$351.00 in duplicate payments, listed as fraud cases, were being held.

Reconciliation of Bank Balances—Benefit Account, Readjustment Allowance Act Account: The two bank accounts were reconciled by the machine section of the Division, after the audit date, as of close of business February 4, 1949.

The business machine reconciliation of the Benefit account indicated a balance of \$628,379.17 as against a cash book balance of \$628,365.17 for the same account, a difference of \$14.00. In this connection a journal entry on February 19, 1949, was put through to correct an error of \$4.00 and an inter-office communication, dated January 19, 1949, from the chief supervisor of the Benefit

section to the chief counsel of the legal department suggested that some action be taken to secure payment of a \$10.00 bad check deposited in the Benefit bank account October 27, 1947 as an overpayment recovery.

Stock Accounts: The records in the stock room show that the inventory on July 1, 1948 was as follows:

| | |
|--------------|--------------------|
| Forms D.E.S. | \$59,574.74 |
| Forms V.A. | 7,646.55 |
| Supplies | 24,448.05 |
| | <u>\$91,669.34</u> |

The issues for the twelve month period ended December 31, 1948, totaled about \$186,000.00. A card record is kept in the stock room for each item carried in stock. It was again noted that no control account for this stock is carried in the general ledger and it is suggested that the Comptroller's Bureau consider the advisability of setting up a control account in the general ledger.

Relation of Benefit Payments to Employer Contributions: It was noted that for the fiscal year ended June 30, 1948, the benefit payments were again in excess of the Employer Contributions and interest credits as follows:

| FISCAL YEAR ENDED JUNE 30, 1948 | |
|-------------------------------------|------------------------|
| Benefit Payments | \$50,758,996.59 |
| Less: | |
| Checks returned, refunds, etc. | 122,498.03 |
| Net Benefit Payments | <u>\$50,636,498.56</u> |
| Employer Contributions and Interest | \$36,999,869.59 |
| Interest Credited by U. S. Treasury | 3,664,805.62 |
| | <u>\$40,664,675.21</u> |

It was also noted that a similar situation prevailed during the period from July 1, 1948 to February 7, 1949, of the 1949 fiscal year.

| PERIOD OF JULY 1, 1948 TO FEBRUARY 7, 1949 | |
|--|------------------------|
| Benefit Payments | \$31,951,235.63 |
| Less: | |
| Checks returned, refunds, etc. | 92,530.37 |
| Net Benefit Payments | <u>\$31,858,705.26</u> |
| Employer Contributions and Interest | \$28,829,687.06 |
| Interest Credited by U. S. Treasury | 1,839,942.08 |
| | <u>\$30,669,629.14</u> |

Payments exceeded Employer Contributions and interest credits during the 1948 fiscal year by \$9,989,823.35.

Debit Memoranda: Quarterly wage and contribution reports as submitted by the employers are examined by the reports processing division of the Employers' Reports Department, and if it is determined that additional contributions, interest or penalties are payable to the division, debit memoranda are issued. The amount determined to be due from each employer is posted to the employer ledger account in the Delinquency-Collection Division.

When checks received in payment of contributions are returned by the bank charge vouchers are made out by the cashier's unit and Debit memoranda to correspond are issued to the employers.

The total amount of debit memoranda is reflected in the division's general ledger.

Delinquent Employer Reports: In addition the amounts included in the debit memoranda, there are cases where employers have not submitted quarterly wage and contribution reports, consequently the amounts due are not known. Figures compiled by the Collections Section of the Employers' Reports De-

partment of the Division show employers delinquent in filing reports as of January 1, 1949, to be as follows:

| | EMPLOYERS |
|--------------------------------|-----------|
| Delinquent Employers | 2,093 |
| Field Audit | 298 |
| Legal Department | 503 |
| Status Review | 40 |
| | <hr/> |
| | 2,934 |
| | <hr/> |

Contributions Receivable—Underpayments: The total underpayments of contributions receivable on February 4, 1949, amounted to \$1,180,697.91 according to the Division records. It is suggested that all underpayments over one year old be turned over to the legal section for collection.

Contributions Receivable—Dishonored Checks: The general ledger recording Federal transactions shows an amount of \$26,984.20 in the contributions receivable—dishonored check account. Of this total \$10,374.40 includes checks with dates prior to February 7, 1948. It is suggested that dishonored checks not made good within a reasonable time be turned over to the legal section for collection.

Overpayment Recovery Unit—Reconciliation of Control Account Balances: Trial balances of individual ledger card balances supporting both the overpayment control accounts of Benefit Payments and Readjustment Allowance Payments were taken by Division personnel in the Unit as of January 31, 1949.

Comparison of trial balance totals with January 31, 1949, balances as shown by the accounts in the general ledger indicated a shortage of \$177.00 in the Benefits overpayment account balances and an overage of \$22.95 in the Readjustment Allowances overpayment account balances.

Financial Reports: It was noted that the trial balance of the general ledger as shown in the financial report of January 31, 1949, does not contain the two accounts relating to Veterans' Readjustment Allowances, namely, the Readjustment Allowance Fund Account and the Readjustment Allowance Receivable Overpayment Account, together with their offsetting credit accounts. As these accounts represent funds handled by the Division, they should be included.

Reserve for Benefit Payments Conscience Fund: A balance of \$695.00 is carried in the State general ledger in the account called "Reserve for Benefit Payments". It is understood that it represents conscience fund receipts. A balance of \$580.00 is carried in the Federal General Ledger under the account name "Reserve for Benefit Payments, Conscience Fund". The original total in the Federal general ledger account was \$695.00, but \$115.00 was charged against the balance by a journal entry dated March 12, 1942.

As the accounts represent the same item, the balances of each account should be the same in both ledgers.

DEPARTMENT OF MENTAL HEALTH GENERAL DEPARTMENT REPORT NO. 2503

Special Appropriation—Purchase and Installation of Tabulating and Business Equipment: The previous audit report stated:

"A special appropriation of \$37,000.00 was authorized for this purpose by Chapter 685, Acts of 1947, Item 1701-22. A machine purchase agreement was drawn up by Remington Rand Inc. with a purchase price of \$35,705.00 and a requisition to purchase the equipment at this price was forwarded to the State Purchasing Bureau.

"Purchase of tabulating equipment would be a radical departure from the general practice of the Commonwealth.

"In this connection the following letter was forwarded to the Governor by this Department:

November 14, 1947

His Excellency
Robert F. Bradford
State House
Boston, Massachusetts

Your Excellency:

In view of your recent letter calling for economy in State administration, it seems most appropriate at this time to remind you of our recent conversation regarding the contemplated purchase of business machines by the Department of Mental Health.

As I stated, at the time, three companies have bid on this installation. One, a bookkeeping machine company, has offered to sell their equipment at a cost of \$2,200.00. The other two bids were received from tabulating companies, one of which has bid \$35,705.00 for the outright sale of their equipment and has offered to rent the same equipment for \$578.00 a month. The other tabulating company has offered rental of their equipment at \$280.00 a month.

At the time of our conversation, you promised to examine this situation, and while I have received no further word from you, may I call your attention to the fact that the Department of Mental Health has, within the past twenty-four hours, issued a requisition for the purchase of tabulating equipment from the second company, at a cost approximating \$36,000.00. The Department of Mental Health, in proposing to purchase tabulating equipment, ignores the accepted practice of the Commonwealth, for all other departmental installations of tabulating equipment have been rented, e.g., the Comptroller's Bureau, the Department of Public Works, the Division of Employment Security, to name the largest. This practice of rental has been based on the generally accepted and well-known fact that tabulating equipment depreciates rapidly, and after five years usage is worth only ten cents on the dollar. If, on the contrary, complete investigation by the Department of Mental Health has proved that it is proper and economical to purchase this equipment, then the same calculations must apply to all other State agencies, and it follows that it is proper and economical to purchase this same equipment for the Comptroller's Bureau, the Department of Public Works, and the Division of Employment Security.

In the interests of the economy which you have called for, I therefore suggest that you call upon the Commission on Administration and Finance to decide whether the Commonwealth of Massachusetts should now purchase *all* tabulating equipment, or whether the Department of Mental Health shall rent this equipment in accordance with the present practice of other State agencies. The commission should also be called upon to determine whether this work can be done on the bookkeeping machines which have been offered at the price of \$2,200.00, and a saving of approximately \$33,000.00 to the Commonwealth.

Very truly yours,

/s/ Thomas J. Buckley
Auditor

Subsequent to the date of audit it was learned that revised specifications were submitted to the State Purchasing Agent and bids have been requested. As far as could be learned, to date, no award for this installation has been made.

Shortage of Personnel: The advent of the war stripped the Department of Mental Health of essential personnel in practically every institution. The end of the war brought only minor relief, and as of August 30, 1948, there were 1,811 vacancies in the various institutions under the control of this Department.

It is time that the Commonwealth approached this problem realistically. There is but one reason that these vacancies exist, and that is; the salaries offered are far below those offered by the Federal Government and by private institutions. While this is common knowledge—no substantial effort has been made to meet the real needs of the situation. Salary increases recently voted by the Legislature, by administrative interpretation have been substantially wiped out—by charging against the increase \$360.00 per year for maintenance. In some in-

stances, this charge has reduced the take-home pay of employees to less than the amount received before the increase was granted, and to the majority of institution employees the increase has amounted to approximately seventy cents per week.

The following is a list of vacancies by general classification at each Mental Health Hospital as of August 30, 1948:

VACANCIES BY INSTITUTIONS

AUGUST 30, 1948

| INSTITUTION: | MEDICAL | WARDS | ADMINISTRATION | INDUSTRY AND EDUCATION | KITCHEN AND DINING | ENGINEERING | DOMESTIC | REPAIRS | FARM | GARAGE AND GROUNDS | TOTAL |
|---------------------|-----------|--------------|----------------|------------------------|--------------------|-------------|-----------|-----------|-----------|--------------------|--------------|
| Boston Psychopathic | 1 | 3 | — | — | — | 1 | — | — | — | — | 5 |
| Boston State | — | 31 | 5 | 7 | 16 | 10 | — | 3 | — | — | 72 |
| Danvers | 3 | 119 | 6 | 2 | 10 | 2 | 1 | — | 3 | — | 146 |
| Foxborough | 4 | 92 | 9 | — | 11 | — | 1 | 1 | 3 | 1 | 121 |
| Gardner | 4 | 57 | 3 | 1 | 9 | 3 | 1 | — | 3 | — | 81 |
| Grafton | 4 | 109 | 4 | 5 | 16 | 5 | 3 | 1 | 7 | — | 154 |
| Medfield | 6 | 139 | 5 | 3 | 17 | 6 | 1 | 1 | 4 | — | 182 |
| Metropolitan | 1 | 81 | 2 | — | 11 | 8 | — | — | 1 | — | 107 |
| Monson | 3 | 101 | 9 | 3 | 13 | 4 | 2 | 1 | 5 | — | 141 |
| Northampton | 3 | 50 | — | 3 | 12 | 4 | — | — | 1 | — | 73 |
| Taunton | 9 | 153 | 5 | 3 | 19 | 20 | 1 | 1 | 5 | 1 | 217 |
| Westborough | 2 | 103 | 5 | 3 | 8 | — | 3 | 1 | 1 | — | 126 |
| Worcester | 4 | 86 | 4 | — | 7 | 13 | 1 | 1 | 4 | 1 | 121 |
| SCHOOLS: | | | | | | | | | | | |
| Belchertown | 2 | 44 | 7 | — | 7 | — | 2 | — | 1 | — | 63 |
| Wrentham | 4 | 79 | 4 | 8 | 8 | 4 | 2 | — | 1 | — | 110 |
| Walter E. Fernald | 1 | 57 | 2 | 2 | 8 | 2 | — | — | 2 | — | 74 |
| Myles Standish | 3 | 6 | 7 | — | — | 2 | — | — | — | — | 18 |
| Totals | <u>54</u> | <u>1,310</u> | <u>77</u> | <u>40</u> | <u>172</u> | <u>84</u> | <u>19</u> | <u>10</u> | <u>42</u> | <u>3</u> | <u>1,811</u> |

It will be noted that the main shortage of personnel affects the vital ward service of each institution. The proper care and maintenance of mentally ill patients is based mainly on adequate and efficient Attendants, Head Nurses, and Charge Attendants. Mental Health hospitals have vacancies for 1,055 Attendants, and they will remain vacant as long as the Commonwealth offers a salary of \$1,680.00 per year less maintenance for the position while the Federal Government pays a minimum of \$2,152.00 for the same work. The institutions with vacancies for 109 offer Head Nurses at \$1,920.00 per year—less maintenance—Federal hospitals pay from \$2,974.00 to \$3,727.00 per year. With vacancies for 57 Charge Attendants, the Commonwealth will pay \$1,740.00 per year less maintenance—Federal positions pay between \$2,284.00 and \$2,498.00 per year, and these same salary differences exist in all hospital positions.

This problem has not been solved because no solution has been attempted—and the excuse cannot be offered that relief can come only from the Legislature, for Chapter 311 of the Acts of 1948 provides administrative authority to raise the salary of any position in the classified service, however, this power does not lie within the Department of Mental Health. If the Commonwealth is to provide adequate care for the mentally ill, institution positions must be regarded to a salary at least equivalent to those paid by the Federal Government.

Cash: The previous audit report stated:

"The cash account on September 5, 1947 reflects a deficit of \$55.26 dating back to 1937. The \$55.26 represents disallowed travel expense in 1937 for two department employees. It is again recommended that the department seek relief by having this amount included as a special item in the next budget request. The previous audit reported a deficit of \$58.03 but of this amount \$2.77 was cleared during the period covered by this audit."

An appropriation for the deficiency in cash of \$55.26 was requested in a

letter to the Budget Commissioner, dated March 26, 1948. On date of audit no action had been taken on this request.

Cash Book—Patients' Funds: In this connection the previous audit report stated:

"It is suggested once again that a new cash book be provided to take care of cash transactions in the patients' funds. It is also suggested that all columns in the patients' cash book be footed, the cash book be balanced monthly, and that a cash balance be carried forward each month. All entries in this cash book should be made in ink, and corrections should be made by entering the correct figure over the figure to be replaced, not by erasure."

The patients' cash book was revised as of March 1, 1948. Provision was made for footings each month and a computation of the monthly balance and proof of the aggregate of the bank book balances, with the general ledger account, Patients' Cash. Entries were in ink and corrections made in the manner suggested.

A journal entry was made on March 31, 1948 to take the money belonging to supervised girls out of the general cash. An account called "Patients' Cash" was set up in the general ledger segregating all money belonging to supervised girls.

Accounts Receivable Balance—Institution Board: The control account balance on July 1, 1948 was \$1,320,393.48, a net figure decreased by credit balances of \$4,385.10 which represent advances and overpayments and funds of deceased patients for which charges had not as yet been established. The total due on that date was \$1,324,778.58 of which \$394,915.43 represented 1948 charges and accounts totaling \$288,828.43 which had been referred to the Attorney General for collection. The balance of \$641,034.72 represents 1947 and prior year charges, not with the Attorney General.

Accounts Receivable—Institution Board—Charge-Offs: During the period of the audit \$154,392.79 was credited to the accounts receivable control account as charge-offs or adjustments. Of this total \$63,526.27 was by authority of the Attorney General, \$64,340.55 by authority of the Department, and \$26,525.97 as corrections and adjustments. The previous audit report showed a total figure of \$191,705.58 charged-off for the period of fourteen months ended September 5, 1947.

Accounts Receivable—Verification Notices: Verification notices were released to persons of record, liable for the established board of patients, on 545 balances, open as of July 1, 1948. Of the notices released, 293 were returned (53.78%) 16 of which included comments. These comments were investigated and letters written where necessary and the others followed for adjustments or other pertinent steps necessary as indicated by the comments. There were also 21 notices returned as—"Not Found", "Moved", "Not Known", etc. An investigation of the notices returned disclosed 19 were on "Delinquent" accounts, the balances of which had been established from 1929 to 1945. This would seem to indicate these accounts were not being properly followed and that such cases should be more closely followed.

The notices returned with comments brought forth several cases where compromise settlements had been made but the remaining balances had not been closed out. Some of these cases were closed in July and the others were brought to the attention of the Department for closing.

Balances outstanding 20 years or more should be written-off since statutes indicate that such balances are uncollectible. As of July 1, 1948 there were 28 cases on which the balances had been established more than 20 years ago.

It was obvious that the notices released by this audit resulted in a great number of payments, which indicates that if cases were followed more closely the collections would be greater.

It is suggested in view of the foregoing, that a representative of the Comptroller's Bureau give this Department the necessary instructions in the use of this folio.

Accounts Receivable—Delinquent Accounts: It has been the practice to automatically classify an account as "Delinquent" when no payment has been received over a period of six months. This classification is made without investigation and after becoming "Delinquent" bills are no longer released. It is felt, that, this is a poor procedure, as the liable person may form the opinion that they are no longer responsible for the board payments.

In connection with the "Delinquents" it is suggested:—that a "Suspense Account" be established for all delinquent accounts on which there has been no activity over an established period. The purpose of such an account would be to set these accounts aside (under a total control by each institution) so that the listings of the balances would not be necessary each month as the trial balances are taken off. Under this plan merely the balance of the "Suspense Accounts" would be listed from the control card which would be adjusted in the isolated cases where there was activity by payment, closing, etc. The above would greatly reduce the work at the time of taking balances and compensate for the additional time necessary for the billings suggested until the cases are investigated.

The "Delinquent" cases were approximately 40% of the total number of cases. The accounts with open balances at July 1, 1948 totaled 6,059 and were divided as follows:—Active 3,492, Delinquent 2,351, Attorney General 155 and Soldiers and Specials 61.

It was understood that the investigators make every possible attempt to follow up delinquent cases at the same time endeavoring to investigate new cases. With the present number of employees, it is a question of whether the investigator will devote his efforts to following up the delinquent cases or investigate the new ones. It was the opinion of the Supervisor of the Division handling this activity that he considered the delinquent cases important and realized that they should be made to pay or be otherwise disposed of. However, new cases must be investigated as promptly as possible, otherwise this possibility of getting support may be lost, especially in the case of short commitments. Investigation of new cases is now approximately one to three months in arrears depending on the district.

During the ten months covered by this audit period, \$210,041.19 has been added to the outstanding accounts. There are eight investigators employed by this Department and one of these devotes her entire time to investigating delinquent cases.

General Ledger: An attempt was made to take a trial balance of the general ledger as of June 30, 1948 (prior to closing) and numerous irregularities were disclosed, as follows:

- a. The balances reported in the monthly statement submitted to the Comptroller were found to be incorrect in several instances.
- b. Numerous entries were made in the ledger accounts merely in memorandum form—that is to say, a pencil entry was made in the debit or credit column without reference to its date or origin.
- c. In a few instances no entry had been made at all to support the balances reported. The balances had been taken-off on note paper taking into consideration entries not as yet made but nothing was reflected in the account.
- d. The subsidiary accounts were not in proof with the control accounts supporting them.
- e. Practically all the ledger sheets on the active accounts showed numerous calculations made in pencil to arrive at balances or to take into consideration anticipated entries, etc. resulting in a very untidy record.

BELCHERTOWN STATE SCHOOL REPORT No. 2568

Materials and Supplies: Adjustments made during the audit period were examined and tabulated. Overage adjustments aggregated \$4,441.21 and shortage

adjustments aggregated \$1,209.29. Included in the Overages adjustment was an adjustment of Fuel amounting to \$3,112.30.

Recording of Income Cash Receipts from Board of Patients: An examination of the institution cash book showed that the institution treasurer records cash received from the payments of board of patients in lump sums, and not in a detailed chronological order on the dates payment is received by the institution. At the time of the previous audit this condition was called to the attention of the institution treasurer and at that time it was suggested that the receipts from this source be recorded individually on the date the institution received the payments.

Attention is specifically called to the following cash book entries.

January 20, 1949 Board receipts of \$721.13 recorded in the cash book on this date were not recorded on the Schedule of Board Bills until as late as January 31, 1949.

February 15, 1949 Board receipts of \$631.60 recorded in the cash book on this date were not recorded on the Schedule of Board Bills until as late as February 28, 1949.

Payment of 1948 Maintenance Appropriation Invoices from 1949 Maintenance Appropriation: Following advice of the Department of Mental Health, this institution paid two invoices aggregating \$5,182.19 from the 1949 Maintenance appropriation. These invoices represented the purchase of materials received during the 1948 fiscal year. Most of the materials were issued during the 1948 fiscal year. Stock ledger accounts representing these materials showed deficit balances aggregating \$4,854.12 on June 30, 1948.

A copy of a letter from the institution to the Department of Mental Health relative to these invoices is shown hereto:

June 18, 1948

Subject: Farm Grain

From: Belchertown State School

To: Joseph O. Gentile, 2nd Assistant Commissioner

Attention: G. J. Cronin, Commissioner & Purchasing Agent

Dear Mr. Gentile:

We have been advised by the Department to have all grain received as of June 14 paid out of 1949 farm appropriation. We have taken this matter up with Jaquith & Co., who have agreed to bill us after July 1 for all grain received after June 13.

Please issue a Change in Purchase Order cancelling \$5287.95 on Jaquith & Co. order No. 388588, account name, Farm, account No. 1723-00-09, fiscal year 1948. Also issue a Change in Purchase Order re-encumbering this same order in the year 1949, account name, Farm and Grounds, account No. 1723-00-09 for the same amount.

Please do not place orders on the following requisitions until after July 1: No. 2185, 2570, 2663 and 2794. These are all under account name Farm, account No. 1723-00-09.

Very truly yours,

M.D.

Superintendent

Funds of Paroled Patients: The earnings and savings of patients on parole are not recorded on the financial records of this institution.

A list of patients on parole was established and the earnings of these patients were compiled for the period from December 1, 1947 to November 30, 1948. This compilation showed earnings for the period as \$39,259.91. Quarterly wage reports submitted by the employers were checked against the compilation of earnings.

Paroled patients are permitted to keep their bankbooks in their possession and make the deposits in their savings accounts. The bank accounts, in most cases, are in the name of the Belchertown State School, subject to withdrawal by the superintendent or the assistant superintendent. On June 30, 1948, the Social

Service department tabulated the balances in savings accounts of paroled patients and confirmed the balances by correspondence with the various depositories. This tabulation of 142 bank accounts, showed balances aggregating \$43,271.58.

Previous audit reports stated:

"Apparently there is no uniform method established for recording this type of activity in the three institutions of this type in the Department of Mental Health, and it is therefore recommended that the Comptroller review this section of the three institutions activities, so that a uniform method of recording earnings of paroled patients will be a part of the financial records of each institution."

Attention is again called to the following recommendations covering the recording of earnings of paroled patients:

1. Control accounts be established on the financial records of the institution.
2. Subsidiary records for each paroled patient showing earnings, payments to and/or expenditures made for the patient and the amount of savings be established.

Patients' Bank Accounts: Bankbooks on file in the treasurer's office showed balances aggregating \$8,035.23.

BOSTON PSYCHOPATHIC HOSPITAL REPORT No. 2553

Accounts Receivable: It was noted that the balance shown in the accounts receivable as of the date of audit was as follows:

| YEAR | CHARGES |
|--------------------------|--------------------|
| 1949 | \$ 849.32 |
| 1948 | 3,231.18 |
| 1947 | 4,008.84 |
| 1946 | 4,893.84 |
| 1945 | 5,044.76 |
| 1944 | 10,639.69 |
| 1943 | 8,495.22 |
| 1942 | 11,071.22 |
| 1941 | 7,665.25 |
| 1940 and prior | 884.41 |
| | <u>\$56,783.73</u> |

For purpose of convenience, the institution carries the foregoing accounts in three categories, as follows:

| | |
|-----------------------------------|--------------------|
| Current Active Accounts | 9,898.09 |
| Active Accounts | 7,887.59 |
| Old Active Accounts | 38,998.05 |
| | <u>\$56,783.73</u> |

The comments contained in the audit report of this institution every year have discussed in great detail correspondence between hospital officials and department officials regarding this problem. The net result of all this correspondence, as evidenced by this listing of the accounts receivable balance, is that the condition has not been corrected, and, as a matter of fact, has grown excessively worse.

In this connection it was noted that a trial balance of the accounts receivable ledger had not been proven since March 1948. However, during the progress of the audit the accounts receivable ledger was brought up to date and presented for audit on March 8, 1949, one month after the present audit date. Notices were then sent to approximately 25% of the current active accounts receivable for the purpose of verification.

The so-called old active ledger, which consists of 1,316 accounts with a balance of \$38,998.05, agrees exactly with the balance on the date of the last audit. In the so-called active ledger, which consists of 270 accounts, only \$25.27 was paid during the current audit period.

It was also noted that a suspense accounts receivable control account is carried in the general ledger. This account was set up prior to the publishing of the Accounting Manual issued by the Comptroller's Bureau in 1947 which states:

"that overdue accounts referred to the Attorney General for collection represent the balance in the suspense accounts receivable, . . ."

There are no accounts in the hands of the Attorney General. It is, therefore, recommended that this account be closed out and the balance transferred to the accounts receivable control account.

Outstanding accounts on the date of audit in the suspense account were as follows:

| YEAR | CHARGES |
|--------------------------|--------------------|
| 1941 | \$ 12.86 |
| 1940 | 2,810.88 |
| 1939 | 1,826.54 |
| 1938 | 2,052.72 |
| 1937 and prior | 4,565.83 |
| | <u>\$11,268.83</u> |

It was further noted that out of the total balance in the doubtful of collection category at the date of the last audit period, only \$543.94 was received from 19 out of a total of 2,471 accounts.

It is recommended that the Department of Mental Health make a periodic examination of the accounts receivable ledger kept at the institution, and either attempt to collect these charges, write them off as uncollectable, or transfer them to the Attorney General for collection.

Special Pay Roll Bank Account: The special pay roll bank account was not reconciled because the institution had not completed its own reconciliation since August 1948. It is suggested that an effort be made by the institution authorities to reconcile this account. The necessity for correctly reconciling all bank accounts is obvious and is important in connection with maintenance of accurate records.

BOSTON STATE HOSPITAL REPORT No. 2569

Funds of Discharged Patients: The two previous audit reports stated in part:

"Comment was made in the prior audit report regarding the large number of ledger cards showing balances for discharged patients. The same situation prevails during the current audit period and is caused, for the most part, by the discharge of patients at times when the treasurer's office is closed.

"The institution has on hand notification blanks which the authorities intend to send to the patient or his family indicating what personal property is in the institution's possession. This is expected to improve the present condition of the discharged and deceased patients' funds on hand."

Despite the comments contained in previous audit reports and the fact that the institution has initiated a form of patients' clearance, the same condition prevails.

Ageing of the patients' funds during the current examination disclosed the fact that the balance in discharged patients' accounts amounted to \$1,102.60.

Primarily this balance is made up of small amounts representing the funds of 385 discharged patients, of which 42 were added within the past 10 months. This number represents approximately 10% of the total patients discharged during the current audit period.

Apparently the lack of coordination between the departments discharging the patients and the treasurer's office has brought about this condition, and it has created a great deal of additional work on patients' funds.

It is again recommended that the institution install an effective patients' clearance system whereby every patient being processed for discharge would be required to clear through the treasurer's office.

Patients' Funds—Savings Bank Accounts: On date of audit, there were 64 bankbooks in the custody of the institution treasurer with balances totaling \$15,068.93.

It was recommended in the prior audit report that a control account be opened in the general ledger to record transactions in these bankbooks.

A letter from the Comptroller's Bureau under date of March 3, 1949 states as follows:

"Please be advised that since the money represented by these bankbooks is not under the control of the Institution officials as to jurisdiction over the amounts deposited or withdrawn, it is not necessary that these items be recorded on the financial records of the Institution."

It was suggested, however, that a memorandum record be kept of such bankbooks.

During the current audit period a record of all Patients' Savings Bankbooks is being made in a separate folio, showing the following information; Date Received, Name of Patient, Bankbook Number, Name of Bank, Amount on Deposit, Date Disposed of and signature of the person to whom delivered.

Patients' Funds—Checking Account: The previous audit report commented that the balance in the commercial bank account of the Patients' Fund be substantially reduced and the money transferred to savings bank accounts.

On August 6, 1948, three \$2,000.00 checks were drawn from this account and were re-deposited in the three active savings accounts. A balance in the commercial account on date of audit of \$6,005.71 remains.

Cash Book: It was noted that the cash book was closed at the end of the fiscal year June 30, 1948, before all paid schedules had been reimbursed by the State Treasurer. This resulted in a credit balance on the cash account of \$87,713.93, and a balance of \$103,716.63 in the account "Advances by State Treasurer". The difference of \$16,002.70 represented the amount due employees from the Special Bonus Fund.

It is suggested that the cash book be kept open at the end of each fiscal year until all schedules of the prior year are reimbursed.

Refunds Previous Years: It was noted that prior year's refunds are being recorded in the Accounts Receivable Ledger.

It is suggested that prior year refunds be recorded in conformance with the procedure indicated in the Comptroller's accounting manual.

Refunds of Income: It was noted that refunds of income are being deducted from the current month's charges in the Accounts Receivable Active Account. This is not in accordance with instructions in the Comptroller's Accounting Manual and it is, therefore, suggested that these refunds be journalized separately.

Reconciliation of Special Pay Roll Bank Account: In the course of the reconciliation of this account two adjustments were found necessary. One resulted from a duplicate payment in 1944, and one was attributed to an error in a pay roll deduction check on the September 1947, bank statement.

Salary Overpayments: It was noted in the previous audit report that two former employees who had lived at the institution on a maintenance basis, had at the same time received cash in lieu thereof.

During the current audit period one of these employees made the payment due to the institution while the other employee made no payment. It is recommended that the latter matter which is more than two years old be referred to the Attorney General for action.

Maintenance Charges—Employees: In accordance with Chapter 311 of the Acts of 1948, salaries are now on a cash basis and separate charges are made to employees for meals and lodgings.

There are 412 rooms and 7 cottages available for rent at this institution, the rooms are located in 7 different buildings and rental charges are deducted from the weekly pay roll at the rate of \$2.29 per week or .33 cents per day.

At the present time there is no accurate permanent record of the occupancy of the rooms at this institution, and it is impossible to reconcile the actual income received to the potential income. It is suggested that the maintenance charges should be divided into the two elements of which they consist, namely meals and lodgings, in order that each type of income can be verified independently.

Canteen: During the prior audit period serially numbered cards with a total purchase value of \$1.00 were made available for use in the canteen for patients who wished to make purchases.

It was noted that patients with a balance of less than \$1.00 were allowed to purchase these cards for whatever balance they had in their account by actually clipping the remaining value of the card. This practice changed the value of all cards sold for less than \$1.00 and also defeats the purpose for which the serially numbered ticket was originally intended, that is, the checking of income through their inventory.

It is recommended that this practice be discontinued and that no ticket be sold for less than the face value, so that this class of income may be accurately checked.

Encumbrances Outstanding: It was noted that the Encumbrances Outstanding at the end of the fiscal year June 30, 1948 per financial report was \$19,778.44, whereas the amount reserved to pay outstanding liabilities was \$21,770.84 a difference of \$1,992.40. This amount was included in the total expenditures on the Comptroller's records.

DANVERS STATE HOSPITAL REPORT NO. 2543

Income from Vending Machines: There are now 18 vending machines located at this institution. They sell soft drinks, candy, cigarettes, gum and peanuts.

The commission from these machines is credited to the Patients' Fund account under the classification of "Entertainment Fund". The institution treasurer receives this income in the form of a check from the various vendors.

At the present time there is no way of verifying the amounts paid to the institution as commissions. This matter has been commented on for several years in audit reports. It is suggested that steps be taken to place the entire arrangement of the handling of vending machine proceeds on a strict business basis so that the monies will be collected at regular times in order that the proper institution personnel will be available for checking purposes. It is further suggested that contracts or agreements as to the distribution of the proceeds should also be available.

Accounts Receivable Control Account: In making an analysis of the Accounts Receivable Control Account, it was noted that the income received by the Department of Mental Health as reimbursement for board of patients and transmitted by them to the State Treasurer on receipt vouchers was not recorded in this account.

It is recommended that all income received be recorded in the Accounts Receivable Control Account as required by the Comptroller's Bureau.

Patients' Funds Bank Deposits: The previous audit report commented that all patients' monies were on deposit in a commercial bank account. It was suggested that savings accounts be opened for the greater part of this money.

On February 20, 1948 savings accounts were opened in the Warren Five Cents Savings Bank, Peabody and the Danvers Savings Bank, Danvers. Opening deposits in each account were in the sum of \$5,000.00 each. Dividends on both accounts are mailed to the Institution and recorded as income and then are transmitted to the State Treasurer in the regular course of events.

Discharged Patients Funds: It was also noted that there are patients' accounts on hand with balances for 90 discharged patients and 75 patients on confirmed visits. It is suggested that a real effort be made to have patients, who are being discharged, receive the balance due them on leaving the Institution.

Deceased Patients' Funds: It was further noted that there are funds on hand for two deceased patients, who have been dead one or two years. Funds of deceased patients which are unclaimed should be sent every six months to the Department of Mental Health.

These funds were called to the attention of the Institution Treasurer who has since forwarded them to the Department of Mental Health.

FOXBOROUGH STATE HOSPITAL REPORT No. 2526

Accounts Receivable Ledger: The Accounts Receivable Ledger includes only the board of inmates and charge sales. Rents, telephone commissions, bank interest, medical treatment, transcripts of records, maintenance of employees, cash sales, etc. do not pass through this folio but are reflected in the General Ledger Control Account. The treasurer was instructed that every charge and credit appearing in the control account should also be reflected in the Accounts Receivable Ledger.

Bank Interest: It was noted that two items of bank interest on account of the patients' funds, though received into the State cash as income did not appear in the patients' cash book. It was also noted that although \$231.19 was received as interest on patients' funds for the audit period, only \$4.17 appears in the accounts receivable account.

Farm Accounts: It appears to be unfair that an institution should be obliged to sell large quantities of farm products to other institutions at a flat rate of \$1.00 per lot. Farm production credits are far below the market price and it would seem that any institution should receive the farm credit price for products sold.

Under present arrangements comparative figures for institutions in the same classification become inaccurate.

GARDNER STATE HOSPITAL REPORT No. 2500

Canteen: On the date of the current audit a shortage of \$250.78 existed between the physical inventory and the computed book inventory.

In this connection it was noted that from an examination of the paid invoices on account of merchandise purchased there are two factors which have caused at least a part of this variance, namely, errors made in converting purchases from cost to selling price and credit at selling price had not been taken for merchandise returned, such as pastry, bread, etc.

Patients' Funds: During the absence of the institution's treasurer on account of illness, the various cash funds in the treasurer's office became confused and errors were made in the patients' cash book footings which resulted in a cash shortage of \$28.35 on date of audit.

In connection with this shortage, it was noted that the March 1948 reconciliation of the patients' cash showed an overage of \$28.45 and in June 1948, a shortage of ten cents, thereby making a net overage of \$28.35, in the patients' cash; \$28.00 of this overage was transferred to the canteen cash, ten cents transferred to State cash, and twenty-five cents is held by the institution treasurer as unidentified cash on hand.

It is suggested that the proper authorities instruct the institution treasurer as to the necessary entries to be made in order to correct the foregoing errors in the cash accounts.

GRAFTON STATE HOSPITAL REPORT No. 2499

Pay Roll Bank Account: The previous audit report stated:

"The pay roll bank account of this institution has not been reconciled since April, 1946. It is suggested that the reconciliation of this bank account be brought up to date."

In connection with the foregoing comment it will be noted that on date of current audit this bank account had not been reconciled; however, during the course of this current audit a representative of the Comptroller's Bureau visited the institution for the purpose of reviewing this condition, and it is understood this condition is to be rectified.

1947 Farm Report—Loss in Swine: An examination of the 1947 farm report showed a loss under swine of \$7,459.60, whereas, this activity showed a gain of

\$5,409.00 in the 1946 period. This loss was attributable to the fact that the cost of producing the pork was greatly increased while the book price, at which the gain or loss is figured, remained the same as in the previous year. It was learned from the farm co-ordinator that the increased costs were due to a change in the type of feed used; from garbage during the 1946 period to grain in 1947.

MEDFIELD STATE HOSPITAL REPORT No. 2596

Escrow Retirement Fund: It was noted that amounts deducted from the pay roll and held in escrow for the employee's retirement fund were intermingled with other cash in one bank account. It is recommended that this money, which belongs to the employees, be deposited in a separate bank account.

Unpaid Checks: A reconciliation of the pay roll bank account showed that there was a total of \$58.61 in the pay roll account which could not be identified. This amount has been carried as an adjustment for over two years. It is recommended that this money be withdrawn from the pay roll bank account and sent to the State Treasurer as miscellaneous income.

It was also noted that pay roll checks totaling \$367.73 were outstanding for periods ranging from three months to over two years. In accordance with instructions issued by the Comptroller's Bureau, it is recommended that payment be stopped on these checks and the aggregate amount be sent to the State Treasurer to be credited to the Unclaimed Wage Fund.

Patients' Savings Account: There were fifty-four bank accounts totaling \$5,546.59 belonging to patients at this institution on date of audit. In order to maintain control over these funds, it is recommended that accounts be set up in the general ledger for this purpose.

Monthly Financial Reports: It was noted in connection with checking the financial reports for the audit period that no general ledger page was prepared for these reports covering the period from January 1949 through April 1949.

METROPOLITAN STATE HOSPITAL REPORT No. 2580

Accounts Receivable Control Account: Upon examination of the Accounts Receivable Control Account, it was noted that income received by the Department of Mental Health as reimbursement for board of patients and transmitted by them to the State Treasurer on Receipt Vouchers was not recorded in this account. Notifications by the Comptroller's Bureau of transfer of income to and from other institutions were also omitted from this account.

It is recommended that all income received and adjustments of income be recorded in the Accounts Receivable Control Account as required by the Comptroller's Bureau.

Escrow Retirement Fund: The Employees Escrow Retirement Fund created under Chapter 617 of the Acts of 1947 is handled through the pay roll bank account.

It is recommended that a separate checking account be opened for this activity.

Canteen Accounts—Inventory Overages: From available records the comparison of the physical inventory with the book inventory on date of audit indicates that the physical inventory was \$1,286.08 in excess of the book inventory. The two previous audit reports indicated overages of \$737.04 and \$922.53 respectively. These overages have been continuing for years and have been regularly commented upon in the audit report by this department.

Regulation 14, Item 5 of the Department of Mental Health states as follows:

"A system of accounts approved by the Comptroller shall be installed and supervised by the Department of Mental Health."

It is again recommended that the Comptroller's Bureau review, and if necessary revise the present system so that the Canteen inventory, sales and profits may be more accurately controlled.

Serially Numbered Tickets: Upon examination of the serially numbered tickets which are being used by patients in the canteen for making purchases it was noted that patients with a fund balance of less than \$1.00 were allowed to purchase these tickets for any amount up to \$1.00 in order to clear their accounts. The remaining value is punched and cancelled in the Treasurer's office before presenting it to the patient for use. This practice defeats the purpose for which the serially numbered tickets were installed, that is, the verification of income through inventory of serially numbered tickets. It is, therefore, recommended that no ticket be sold for less than its printed value.

Discharged Patients' Funds: It was noted that the balances on the date of audit for discharged patients, totaled \$608.58 representing more than two hundred discharged patients. It is, therefore, recommended that the institution install an effective patients' clearance system, so that funds belonging to discharged patients will be paid to them on leaving the institution.

Children's Unit Entertainment Fund: During this audit period the sum of \$125.00 was received as gifts to be used solely for the benefit of the children who are patients in this institution. This fund is kept with the Patients' Funds and recorded on a separate account. Receipts were checked and disbursements were vouched to invoices.

Patients' Funds: It was noted that among the list of outstanding checks there appeared checks that have been outstanding for a period in excess of one year. Four checks issued in 1945 totaling \$7.86 and six checks issued in 1946 totaling \$16.86 still appeared as outstanding. It is suggested that these checks be cancelled and that the amounts be entered on respective patient's cards.

MONSON STATE HOSPITAL REPORT NO. 2544

Nurses' Training School Fund: Attention has been called to this fund in previous audit reports which recommended that this fund revert to the State Treasurer. During the period under examination the only activity in this account was the receipt of interest on the savings account. In this connection an opinion was requested of the Attorney General under date of March 3, 1943, with reference to the disposition of this fund. The Attorney General's opinion reads in part:

"It appears that the fund in question should not be turned over to the State Treasurer, nor should it be applied at the present time to any particular use until such time as a judicial decree has been rendered with respect to its application."

The balance in this fund on September 1, 1948 was \$1,162.48.

Materials and Supplies: Materials valued at \$26,599.86 were inventoried on September 29, 1948. Shortages of \$111.33 and overages of \$114.48 were noted.

Farm Report: The annual farm report for the year ended December 31, 1947 was examined. For the financial year ending June 30, 1948, the records of the institution treasurer showed cash disbursements for the farm as follows:

| | | | | | | | |
|-------------------|---|---|---|---|---|---|--------------------|
| Personal Services | : | : | : | : | : | : | \$17,405.31 |
| Other Expenses | : | : | : | : | : | : | 16,447.04 |
| | | | | | | | <u>\$33,852.35</u> |

Farm products received at the institution storeroom and farm sales amounted to \$12,584.70, which was \$21,267.65 less than the cash expended. It was noted that hay and fruit produced by the farm and valued at \$2,682.90 was sold to other institutions for \$10.00. It was also noted that milk and eggs purchased from another institution are paid for and charged against the food section of the appropriation of this institution at the Comptroller's prescribed farm prices; while the hay produced by the farm of this institution was sold at the reduced price of \$5.00. It would seem that if this institution has to pay prescribed prices for purchases of milk and eggs, sales made by this institution should be on the same basis.

The annual farm report for the year ended December 31, 1947 showed a loss of \$6,250.00, exclusive of inventories.

Patients' Funds: There was \$103.91 in funds of discharged patients and \$125.78 in funds of deceased patients on hand September 1, 1948.

DIVISION OF MYLES STANDISH REPORT No. 2529

Maintenance Section: In the previous audit report it was stated that the pay roll bank account had not been reconciled since the account was opened in January 1947. This account is now being reconciled currently.

Farm: It was noted that all of the standard farm records have now been installed but were not current on the date of the current audit.

Special Appropriations: Since June 30, 1948, the bookkeeping for special appropriations is being done at the Department of Mental Health, therefore, these accounts were not examined.

NORTHAMPTON STATE HOSPITAL REPORT No. 2501

Patients' Valuables: Previous audit reports included a recommendation that the Comptroller's Bureau set up a Trustee Account in the financial records of this institution for the control of patients' bankbooks.

A tabulation of bank account balances, war savings bonds, gold and notes on hand, July 6, 1948, showed the following:

| | |
|--------------------------------|-------------|
| Bank Accounts | \$28,266.45 |
| War Bonds and Stamps | 430.10 |
| Gold | 22.50 |
| Miscellaneous Notes | .54 |
| | <hr/> |
| | \$28,719.59 |

As, to date, no trustee accounts have been set up on the control records, attention is again called to the recommendation.

TAUNTON STATE HOSPITAL REPORT No. 2546

Farm Accounts: The examination of the farm records for 1947 reveals that the mortality rate of shoats and pigs was unusually high. The cause of death, according to the veterinarian's report on file, was necrotic enteritis (swine dysentery), the virus of which is endemic on the farm land.

Maintenance Stores: The personnel situation in the main storeroom has not improved to any extent since the previous audit. The person who last held the pay roll designation of permanent storekeeper entered the armed services in June 1943 and has not yet returned. Since then the institution has been unsuccessful in its attempts to obtain a competent person to fill the vacancy as a military substitute. The assistant storekeeper, who functions more or less as a receiving clerk, is unwilling to accept the position and responsibility of acting storekeeper. The meat cutter has likewise declined.

It is understood that the position of permanent storekeeper is to be declared vacant shortly, and this condition should be corrected in the near future.

WALTER E. FERNALD STATE SCHOOL REPORT No. 2515

Employees' Bond Deposit Funds: At the present time, bonds are purchased for employees by deductions from the pay roll account and deposits in the Institution's State Bank Account.

It is recommended that a separate checking account be opened for Employees' Bond Deposit Funds.

Employees' Escrow Retirement Fund: The Employees' Escrow Retirement Fund created under Chapter 617 of the Acts of 1947 is handled through the State Bank Account.

Retirement funds of employees are retained by the institution for a period of

six months and then sent to the State Retirement Board. If employment is terminated within the six months period, the amount withheld is refunded.

It is recommended that a separate checking account be opened to cover this activity.

Paroled Patients' Fund: Paroled patients are permitted to retain their bankbooks, but in all such bank accounts the Walter E. Fernald State School is trustee. Deposits are made by patients, but withdrawals must be approved by the Superintendent or the Assistant Superintendent.

No records are kept showing the salaries earned or deposits made by the patients or amounts expended by or for the patients.

It is recommended that such records be maintained and that bankbooks be submitted regularly for verification.

Canteen Fund: The canteen fund was initiated on January 11, 1947. The standard records maintained by State canteens have not been installed. Pending the opening of the canteen, the fund derives its present income from percentages of the sales of tonic, candy and cigarettes in coin machines.

It is recommended that the total receipts from each machine be recorded by the institution so that a check on the commissions received may be verified.

Maintenance Stores Inventory: A test inventory of 176 items was taken on date of audit. Overages totaled \$236.36; shortages—\$74.56 with a net overage of \$161.80. This overage is mainly accounted for by an increase in the value of certain items after processing.

An analysis was made of all inventory adjustments for the audit period, and the following items showed shortages in excess of normal—eggs, oranges, and grapefruit.

Many "overage" adjustments had been made and apparently resulted from the failure of storeroom clerks to see that all requisitions were completely issued.

WORCESTER STATE HOSPITAL REPORT No. 2563

Medical Facilities Available to Community: In this connection the previous audit report stated:

"Item 1 of Regulation No. 16 of the Department of Mental Health states:

'The special medical facilities of the institution may in unusual circumstances be made available to persons in the community upon the request of a physician, at the direction of the Superintendent. The charge for this service shall in no instance be less than the cost thereof and shall be credited to Income.

An Electroencephalograph machine located at this institution is used for brain wave tests, so-called E.E.G. tests.

These tests are given by a part-time employee of the Commonwealth and a technician who is not an employee of the Commonwealth.

It was ascertained that the amount of \$1,674.00 was collected for the E.E.G. tests given at this institution to other than hospital patients and this entire amount was given directly to the private organization which employs a technician assisting in giving these tests.

The entire proceeds from this activity represents income due the Commonwealth and must be reported as such and forwarded to the State Treasurer. If the services of this technician are necessary and desirable he should be employed, through regular channels, as a part-time or full-time employee of the Commonwealth and paid through proper and authorized State pay rolls.'"

In connection with the foregoing comment it was noted that this income had not been turned over to the State Treasurer to date of this current audit.

In further connection with this type of income it was noted that notwithstanding the fact that the Superintendent of the hospital indicated during the course of the previous audit, "That he had ordered the practice of giving E.E.G. tests to persons other than hospital patients be discontinued." This practice still exists.

In this connection it was also ascertained that during this audit period, May 4, 1948 to January 10, 1949, the further sum of \$1,365.00 was collected for E.E.G. tests which had not been reported as income on date of audit.

It is therefore again suggested that the collections from this source be turned over to the State Treasurer as income.

WRENTHAM STATE SCHOOL REPORT No. 2552

Accounts Receivable: The previous audit reports have made reference to an outstanding account against the estate of a former physician. This account is probably uncollectible and it has already been referred to the Attorney General for disposition.

The following accounts are not carried in the Accounts Receivable ledger but appear in the control account in the general ledger:

Telephone commission
Reimbursement by parents on account of glasses for patients
Interest on patients' funds in banks
Maintenance deductions

It was explained to the Treasurer that all accounts should be the same in both the ledger and the control account. When instructions were issued for the handling of maintenance deductions, it was stated that they were to be handled the same as any other receivable account. There is therefore no justification for carrying this account in a separate account in the general ledger.

Patients' Funds: Inasmuch as it sometimes occurs that several days may elapse between the date of receiving funds and the date of posting to the cash book, it is suggested that the cash book show the date of receipt rather than the date of entry. These intervals are sometimes as much as a month apart.

Monthly financial reports submitted by the employers of paroled patients were checked to deposits in the various bankbooks. It was noted that in several cases deposits were shown in the bank records but did not appear on the bankbooks. During the eleven months period covered by this audit the paroled patients banked a total of \$8,781.27 to bring their total deposits as of February 1, 1949 to \$48,255.46. Interest of \$185.46 was also credited to them.

Farm: The farm report of 1948 shows a large loss of pigs through death and stillbirths. The total farrowed was 378 and of these 9½% died from various causes, 15.3% were crushed by the sows and 17.7% were stillborn, making a loss of 42.5% of the total farrowed.

Institution Funds—General: It was noted that all funds of the institution are deposited in a local bank. The combined capital and surplus of the bank totals \$82,500.00 while funds of the institution deposited total \$199,409.81. Attention is directed to the fact that existing statutes do not permit the State Treasurer to deposit State funds in any bank in a total in excess of 40% of the combined capital and surplus of the bank concerned. While this statute does not apparently apply to State funds in the custody of other than the State Treasurer consideration should be given by the institution to a transfer of the more inactive funds to some other bank.

METROPOLITAN DISTRICT COMMISSION GENERAL DEPARTMENT REPORT No. 2539

Cash: It is suggested that all cash received be entered in the cash book the day it is received and deposited in the bank the same day. Cash disbursements should be entered daily and a cash balance should be drawn off each day. It is also suggested that a separate bank account be carried for each type of cash.

Cash advances to employees should be returned to the accounting office before June 30th of each year. Advances to employees for the previous year totaling \$355.00 were outstanding July 1, 1948. The office petty cash advance fund included \$267.20 vouchers which were not scheduled for reimbursement until July 16, 1948. Of this amount, \$266.00 represented payments for supper money during a period from April 28, 1948 to June 30, 1948.

The former Metropolitan Additional Water Supply Commission now part of the Metropolitan District Commission, turned over on August 4, 1947 to the Metropolitan District Commission a bank balance in the First National Bank of Boston of \$64.14. Since that time \$43.00 has been cleared through the bank leaving a balance of \$21.14. This amount represents a check of \$10.00 returning a bid and specification deposit. This check was drawn in 1946. The balance of \$11.14 represents three pay roll checks; one was drawn in 1938 and two in 1942. It is suggested that this balance of \$21.14 be brought onto the books of the Commission and then turned over to the State Treasurer for deposit in the proper fund accounts.

Accounts Receivable: It is suggested that all accounts receivable over one year old should be sent to the Attorney General for collection. Of the total balance due on June 30, 1948, \$38,180.57, less than two-thirds is current accounts receivable. Many of the accounts at the office of the Attorney General for collection are very old and it is suggested that the Department of the Attorney General be contacted relative to the disposition of accounts that cannot be collected.

Nantasket Hotel and Tivoli Shelter: A lease on the Nantasket Hotel expired April 14, 1948 and new bids were opened April 15, 1948. The same concern which had the former lease was the highest bidder on the basis of \$16,050.00 per year for three years. He also has a lease of the Tivoli Shelter for \$4,160.00 per year. Of the total of these two leases of \$20,210.00, the tenant had paid \$14,500.00 to August 18, 1948. The entire amount should have been paid prior to this date.

A rent item of \$160.00, eight months at \$20.00 per month, due from an employee of the Commission, was unpaid July 1, 1948. There is no reason why this rent cannot be collected. It is suggested that all rents be paid in advance.

There is an account on the books indicating an amount of \$972.30 due from the Massachusetts Committee on Public Safety. As this Committee is no longer in existence, it is suggested that means be determined for the disposition of this balance.

Accounting for Accounts Receivable Placed with the Attorney General for Collection: At present, accounts receivable which have been referred to the Attorney General for collection are carried on the books of the Commission within the regular accounts receivable account. It is suggested that all accounts with the Attorney General for collection be set up in a Suspense Accounts Receivable in accordance with instructions contained in the Accounting Manual issued by the Comptroller's Bureau.

Glenwood Yard—Obsolete Stock: It was noted during the test check made of materials and supplies on hand at the Glenwood Yard, that many items of stock were considered obsolete, and will probably never be used. It is suggested that all the obsolete stock on hand be disposed of in a manner cooperative with the State Purchasing Bureau.

Control Account for Materials and Supplies in General Ledger: There is no inventory control account carried in the general ledger for materials and supplies in the storage yards and it is again suggested that the Comptroller's Bureau be requested to provide such an account.

Contracts: It was noted that formal contracts were accompanied by adequate bonds, but several orders to contractors for work or material in excess of \$1,000.00 were not complete in this respect. Many unbonded contracts were for professional services and some involved emergency work. In this category there were several contracts with amounts ranging from \$1,343.00 to \$8,356.00. It is suggested that all contracts over \$1,000.00 be accompanied by adequate bonds.

Approximately 67 contracts were placed during period under examination where the work to be done was estimated to be under \$5,000.00.

Many contractors used the printed form which carried the liquidation damages penalty clause of \$25.00 per day, but several contractors refused the penalty clause, which was then omitted with approval of the Commissioners. In cases

where the contract was not finished by the date of completion, extensions of time were granted by the Commission in all but one instance. This particular contract was to have been completed on June 1, 1948 and was not completed by that date. No extension of time had been granted up to August 9, 1948. It is understood that an application for an extension will be made.

Some contracts granted on a unit price basis to the low bidder on the estimated quantities resulted in total payments exceeding the contract price. The actual quantity of work differed from the estimate on which the contract was awarded, but payments were made at the agreed unit price. It is understood that the Division director notifies the Comptroller of the necessary payments when they are over the contract total.

Payments for extra work orders are issued with the approval of the Commission. All estimates for payments are approved by the Division Director and the Commission. Where contracts are based on unit prices, the Division Director, the Commission and the Comptroller's Bureau verify the unit price before payment.

An examination of the bids and bidders indicated that the following contracts were not awarded to the lowest bidders:

| CONTRACT No. | LOWEST BID | AWARD BID | REASON FOR NOT AWARDING TO LOWEST BIDDER |
|-----------------|-------------|-------------|---|
| 542 | \$90,486.25 | \$93,269.75 | Failure to submit certified check |
| 543 | 6,750.00 | 6,783.00 | Informal Bid — Requirements not met |
| 554 | 61,552.50 | 66,903.00 | Doubt of Engineers that contract could be completed at the amount of the bid |
| 566 | 4,583.00 | 4,598.00 | Low bidder not responsible |
| 575 | 3,385.00 | 5,010.00 | Low bid in error — withdrawn |

Pay Rolls: It is understood that a new pay roll system is being considered for installation. At present pay rolls and time reports are signed, but there is no certification by the officials of the amount of time worked by the employees indicated. It is assumed that the signature means certification. It is therefore suggested that a statement be attached to pay rolls and time reports, signed by responsible department heads, certifying that the working time reported for any day represents time actually worked for that day, and that time not worked has been charged to leave accounts in accordance with statutes or regulations.

It appeared that certain pay roll checks were endorsed apparently for convenience by someone other than the person to whom the check was drawn. The original endorsement on all checks should always be by the person to whom the pay roll check was drawn.

Journal Entries: It was noted that certain journal entries were not signed. All journal entries should bear the signature and authorization of the person or persons responsible for the entry or entries.

Comptroller's Closing Entries: The closing entries for the fiscal years 1946, 1947 and 1948 had not been received by the Commission as of the close of the current audit.

DEPARTMENT OF PUBLIC HEALTH

GENERAL DEPARTMENT REPORT No. 2491

Sales of Biological Products: Previous audit reports have stated:

"It is noted that the Public Health Council on August 8, 1944 approved the prices at which five additional products may be sold by the Biological Laboratories."

At this same meeting the Council voted as follows:

"That as soon as personnel shortages permit, a thorough cost estimate of biological products be undertaken with the aid of professional analysts as consultants."

It was understood that cost estimates have now been made but as yet have not been approved by the Public Health Council.

Inventories: In this connection the previous audit report stated:

"The department now has on file in the office of fiscal management an individual inventory card for each piece of equipment owned by the department. These inventory cards show considerable detail including values and were compiled in the several divisions of the department. It is understood that the department hopes to set up controls over these inventory records."

The situation remained the same on the date of this audit.

The previous audit report stated:

"The biologic laboratory at Jamaica Plain was visited and it was noted that considerable stock of expendable items was being carried in a storeroom and that for each item there was a stock card kept in the office of the laboratory, but there was no record showing the total value of the stock."

As the control account has not been set up, attention is again called to this matter.

Agreement Between the Department of Public Health and the American Red Cross: It was noted that under an agreement, dated April 30, 1948, the department has received to the date of audit, a total of \$91,262.00 from the American Red Cross. The agreement provides for the handling and processing of blood by the Department for the American Red Cross for the period from March 1, 1948 to June 30, 1948—\$32,000.00 to be paid to the department for the first 8,000 pint bottles of blood and \$3.00 per bottle for excess of 8,000 bottles during the period. Paragraph 4 of said agreement reads:

"The intention of this agreement is that no profit or loss will be incurred by the American Red Cross on the Massachusetts Department of Public Health."

A letter from the American Red Cross dated July 2, 1948 continued the agreement for the six months period of July 1, 1948 through December 31, 1948.

Under the first agreement the Department received \$37,262.00 and under the extended agreement the Department received on July 12, 1948 a check for \$54,000.00 to cover the cost of handling and processing 18,000 pints of blood.

Referring to the clause in the agreement that no profit or loss will be incurred by either party, it was understood that the Department now has an accountant making cost studies, but to date of the audit the studies have not been completed.

Advances from Federal Funds to Clinics: Previous audit reports have mentioned the practice of making advances from Federal Funds to Clinics. It was noted that beginning July 1, 1948 this arrangement was discontinued and grants were placed on a reimbursement basis for salaries and travel. Equipment, etc., will be purchased by the State through the Purchasing Bureau.

LAKEVILLE STATE SANATORIUM REPORT NO. 2525

Annual Farm Financial Statement: The previous audit report stated:

"The set-up of the Annual Financial Statement (Sheet B) of the Farm Report does not reflect the actual gains or losses of the various projects, as it does not take into account the increases or decreases in the livestock inventories."

As no action has been taken on this comment, attention is again directed to it.

Livestock Census and Daily Reports: Several clerical errors were again noted and they were called to the attention of the Head Farmer for correction.

Dairy Herd: As a result of a directive from the Purchasing Bureau dated May 1, 1947, forbidding the separation of cream from the milk, this institution sold ten cows to other state institutions at \$1.00 each and has been buying light cream at a monthly cost of approximately \$375.00. The ten cows so disposed of cost the institution approximately \$150.00 per month to feed. The cost to the

institution is obvious, and the need for the cream in this type of hospital is apparent. As no action has been taken on this comment, attention is again directed to it.

Farm Losses: The farm has reported a loss of \$9,253.63 for the year 1947. This is attributed to the high cost of grain and other supplies, the excessively low prices for farm products, and operation of about 50% capacity.

NORTH READING STATE SANATORIUM REPORT No. 2527

Unpaid Accounts: Attention is again called to certain unpaid board bills of long standing some of which have previously been referred to the Attorney-General for action:

| | AMOUNT | UNPAID SINCE |
|------------------------------|---------|--------------|
| B. M. — Private | \$44.50 | 1942 |
| N. B. — Fall River | 982.00 | 1945 |
| H. C. — Revere | 118.00 | 1946 |
| H. M. — Revere | 61.00 | 1946 |
| F. M. — Revere | 35.00 | 1945 |
| T. M. — Revere | 30.00 | 1945 |
| I. S. — Revere | 61.00 | 1946 |
| R. C. — Sheffield | 486.95 | 1947 |
| M. C. — Medfield | 991.00 | 1946 |

It is suggested that the Department of the Attorney-General be again contacted relative to these accounts.

Carbon copies of board bills are not kept on file.

The accounting instructions for the Escrow Retirement Fund call for the use of separate pay roll cards for the recording of deductions and refunds. This is not being done, necessitating the analyzing of all pay rolls for the audit period in order to determine the individual balances.

Farm Report—1947: The 1947 farm report contains many clerical inaccuracies.

There did not appear to be any charges for team labor in the "swine" project. A difference of \$19.69 in the fertilizer account was noted.

An analysis of the livestock census reports showed a shortage of one shoat in July and eight hens in August.

Egg and potato production appear to be well above normal, while field corn production of 1.54 tons per acre is considerably below what is considered to be a normal production.

An epidemic among the poultry caused the loss of 117 hens and 332 chicks were lost through disease and the ravages of predatory animals. This is approximately 20.7% of the total number raised.

It was noted that 3,620 lbs. of pumpkin fed to the swine was charged erroneously to institution table consumption.

Shrinkage charges appear very low as follows:

| | |
|-------------------------|------|
| Cabbage | 6.6% |
| Carrots | 1.0% |
| Onions | 3.9% |
| Winter Squash | 1.0% |

RUTLAND STATE SANATORIUM REPORT No. 2521

Outstanding Accounts Receivable: It was noted that an amount of \$50.07, which appears as outstanding, represents an overdraft on family food allowance and has been outstanding since December 31, 1947. It is suggested that this account be turned over to the Attorney General for collection.

Family Maintenance Food Withdrawals: It was noted that various meats issued to persons receiving family maintenance are weighed after being boned and trimmed.

In this connection it is understood that charges on account of family maintenance withdrawals of meats should be based on the weights of meats as cut from the carcass rather than the boned and trimmed weight.

Canteen: Subsequent to the previous examination of this institution's accounts, a small canteen operated by patients has been established. The canteen is under the supervision of the head of the Occupational Therapy Department and is located in the Institution Post Office.

In this connection it was noted that there is no written approval on file for the establishment of this canteen. It was also noted that no records relating to this canteen are kept in the institution treasurer's office. The accounts relating to this canteen were not examined at this time. It is suggested that the arrangement be reviewed by the proper officials and that the necessary account for control be installed.

Occupational Therapy Fund: The institution operates a fund known as "Occupational Therapy Fund" which was originally established by private funds.

In connection with this fund, it was noted that purchases of materials are made by the institution steward's office on standard purchase requisition forms. The Occupational Therapist sells the materials to the patients and periodically turns the receipts over to the institution treasurer who in turn pays for the materials purchased by money order as invoices are rendered. The accounts of this fund were not examined in connection with the current examination.

It is suggested that the Comptroller's Bureau make a survey of the operation of this fund.

Farm: It was noted that milk is being separated and this practice is in violation of regulations issued by the Commission on Administration and Finance under date of May 1, 1947.

A monthly trial balance of the farm ledger was not taken.

Grain inventories are not taken monthly.

Farm sales, farm cost, and farm products sent to the institution storeroom as shown by the farm records do not reconcile with the financial records for the calendar year ending December 31, 1947.

WESTFIELD STATE SANATORIUM REPORT No. 2588

Institution Cash Book: Because the institution board ledger is divided into two sections, the Tuberculosis Section and the Cancer Section, with separate control accounts for each section, it is again suggested that the Comptroller's Bureau be requested to revise the institution cash book to show an analysis of cash received by sections.

Materials and Supplies: A test inventory of the Material and Supplies shows aggregate shortages of \$92.15 and overages of \$128.99. The Materials and Supplies which apply to the Farm section of the institution could not be inventoried due to the lax condition under which these materials were stored. It is advised that the Head Farmer store his Farm Materials and Supplies in such a manner so that an inventory can be properly taken at any time.

Farm: The annual farm report for the 1948 farm year was examined and showed an operating loss of \$16,676.08. This loss did not include shrinkage and spoilage of inventory which amounted to \$1,765.94. Farm loss for the year of 1948, exclusive of Shrinkage and spoilage, is an increase of \$4,872.30 over the farm year of 1947.

An analysis of the Shrinkage and Spoilage for Farm Year 1948 is as follows:

| SHRINKAGE AND SPOILAGE | | | |
|-------------------------------|-------------|----------|-----------------------|
| ITEM | WEIGHT | VALUE | PERCENT OF PRODUCTION |
| Mixed Hay | 70,270 lbs. | \$808.10 | 28.7% |
| Silage Corn | 17,000 lbs. | 80.55 | 5.1% |
| Apples #1 | 3,232 lbs. | 64.64 | 24.0% |
| Cabbage | 213 lbs. | 4.26 | 3.4% |
| Carrots | 42 lbs. | .84 | 1.3% |
| Pumpkin | 702 lbs. | 7.02 | 2.7% |
| Squash (Winter) | 1,174 lbs. | 23.48 | 13.5% |
| Milk (whole, skim) | 14,540 lbs. | 727.01 | 3.2% |
| Hogs (Slaughtering) | 278 lbs. | 50.04 | 1.2% |

The above statement indicates what appears to be an excessive amount of shrinkage and spoilage on Mixed Hay, Silage Corn and Apples. It is recommended that corrective measures be taken to prevent this condition in the future.

It is also recommended that individual records be maintained in the herd books for all calves.

The June 30, 1948 financial report showed an excess of \$16,158.14 of cash expended for farm operations as compared with the values of farm sales and products sent to the Institution for consumption.

Appropriation Expenditures:

| | |
|---|--------------------|
| Personal Services | \$14,218.45 |
| Expenses | 22,292.88 |
| | <hr/> |
| Farm products to Storeroom and Farm Sales | \$36,511.33 |
| | 20,353.19 |
| | <hr/> |
| Excess of Appropriation Expenditures over value of Farm Production and Sales | <u>\$16,158.14</u> |

Trust Funds: It is again suggested that the Comptroller's Bureau issue instructions to the institution to separate this fund from the Canteen Fund. It is also suggested that this fund be set up in the General Ledger as an independent fund.

PONDVILLE STATE HOSPITAL REPORT No. 2603

Accounts Receivable: It was mentioned in the previous audit report that there was \$10,050.63 in suspense accounts receivable due this hospital from cities and towns which had been referred to the Attorney General for disposition. During the current period under audit, the Attorney General authorized the hospital to charge off its books \$7,999.93 of this amount as being uncollectible.

Meals for Employees: It was suggested in previous audit reports that meal tickets be printed and sold to those employees entitled to use them. In accordance with this suggestion meal tickets (books of 20 tickets for \$5.00) have been printed.

Patients' Funds: There is no cash book being used at the present time to record cash transactions in the patients' accounts. It is suggested that a cash book be installed.

Trust Fund for Cancer: This fund was established by contributions from several persons interested in cancer work. Expenditures from this fund must be approved by the Trustees of the fund and the Deputy Commissioner of Public Health.

DEPARTMENT OF PUBLIC SAFETY

GENERAL DEPARTMENT REPORT No. 2545

Framingham Stores: The previous audit report stated:

"Attention was called in the two previous audit reports to an amount of \$144.30 due the department since 1941 for 39 cases of paper napkins returned to the vendor as unsatisfactory. This then was turned over to the Purchasing Bureau on July 17, 1941 for collection. To date, this amount has not been collected, but an attempt was made to apply this credit to a current purchase from the same concern, without success.

"It is recommended that this account be turned over to the Attorney General for disposition."

It was understood that this matter has been discussed with an Assistant Attorney General and that it will be formally given to the Attorney General in the near future.

Materials and Supplies Account: The previous audit report stated:

"The materials and supplies account in the general ledger is being charged each month with the excess of purchases over issues, and credited with the excess of issues over purchases. All adjustments, when

greater or less than the actual physical inventory are used to reduce or increase the issues for the period. This is not in accordance with the accounting procedure as set forth in the manual published by the Comptroller's Bureau.

"It is suggested that the accounting as set forth in the manual be adhered to."

As this suggestion has not been adopted, attention is again called to it.

Positions Bonded: It was noted that only the following positions are bonded.

| | |
|-------------------------------------|------------|
| Principal Bookkeeper | \$3,000.00 |
| Head Administrative Clerk | 1,000.00 |
| Head Clerk | 1,000.00 |
| Principal Clerk | 1,000.00 |

It is suggested that all other employees handling funds be bonded.

Boxing Fees: It was noted that money was being held at the Boxing Commission office for applications not yet approved. On the date of audit, January 25, 1949, it was noted that there were over twenty-five applications pending approval. Attached to all applications were checks, and, in two instances, envelopes containing cash.

The applications were dated from November 10, 1948 to January 10, 1949. On the date of audit, over \$300.00 was attached to these applications.

It is recommended that money received, whether the applications be pending or final, be submitted to the principal bookkeeper upon receipt by the Boxing Commission.

DEPARTMENT OF PUBLIC UTILITIES GENERAL DEPARTMENT REPORT No. 2505

Boston Elevated—Declaratory Judgment: Resolve 89 of the Resolves of 1941 provides:

"Resolved, that the department of public utilities, under the direction of the attorney general, may expend for the purpose of bringing a proceeding at law or in equity seeking a declaratory judgment, order or decree interpreting the provisions of chapter one hundred and fifty-nine of the Special acts of nineteen hundred and eighteen, as amended, pertinent to the authority of the board of trustees of the Boston Elevated Railway Company to make certain charges to the cost of service and their accounting duties incidental to such charges, or such other proceeding at law or in equity as said department and the attorney general deem advisable for the purpose of having a judicial determination of the powers and duties of said trustees under said chapter or otherwise, sums not exceeding, in the aggregate, seventy-five dollars, which sum is hereby appropriated from the general fund or revenue of the commonwealth, and sums so expended shall be assessed upon the cities and towns in which the company operated in the year nineteen hundred and forty, in the same proportion and in the same manner in which the deficiency paid by the commonwealth to said company was assessed upon them in said year. The supreme judicial court and the superior court shall have concurrent jurisdiction of any proceeding brought under authority of this resolve."

Expenditures under this resolve for legal service, etc., have been as follows:

| | |
|----------------|--------------|
| 1941 | \$ 1,311.36 |
| 1942 | 15,490.98 |
| 1943 | 5,124.08 |
| 1944 | 3,645.67 |
| 1945 | 4,121.20 |
| 1946 | 2,921.34 |
| 1947 | 97,774.72 |
| 1948 | 4,649.02 |
| | <hr/> |
| | \$135,038.37 |

The status of the appropriation is as follows:

| | |
|---|--------------|
| Original Appropriation | \$75,000.00* |
| Less: | |
| Reverted, October 1943 | 28,073.58 |
| | <hr/> |
| Acts of 1945, Chapter 736, Item 2320-01 | \$46,926.42 |
| Acts of 1946, Chapter 617, Item 2320-01 | 20,000.00 |
| Acts of 1947, Chapter 261, Item 2320-01 | 68,000.00 |
| | <hr/> |
| | 5,000.00 |
| | <hr/> |
| | \$139,926.42 |
| Disbursements | 135,038.37 |
| | <hr/> |
| Balance, June 30, 1948 | \$4,888.05 |
| Acts of 1947, Chapter 685 | 5,000.00 |
| | <hr/> |
| | \$9,888.05 |

* Re-appropriated, Acts of 1943, Chapter 370, Item 2320-01 \$25,000.00.

Attention is directed to the fact, that although this litigation ceased with the public purchase of the Boston Elevated Railway and the creation of the Metropolitan Transit Authority, expenditures have continued from this appropriation and such expenditures have not been within the purposes of the appropriating act. It is recommended that the balance of this appropriation be immediately revealed.

Bookkeeping Differences on the Cash Records: In connection with the current examination, a great deal of difficulty was experienced in connection with reconciling the various cash and analysis accounts with the cash on hand. The cases were all determined to have been occasioned by bookkeeping difficulties. These items included the following:

1. There was a balance of \$650.00 in the cash account as of June 30, 1948. The amount was determined by the audit to be nothing.
2. Reimbursement of schedules for the period August 5, 1947 to September 7, 1948 per cash book showed a total of \$3,462.15 whereas, the amount was determined by the audit to be \$2,340.50—a difference of \$1,121.65.
3. The total amount of schedules for the period which appeared in the cash book was \$2,767.77, whereas the amount was determined by the audit to be \$1,321.12—a difference of \$1,446.65.
4. On the date of the current audit the balance per cash book was \$786.81, the amount was determined by the audit to be \$1,111.81—a difference of \$325.00.

The foregoing differences in the cash book were the result of recording the travel advances to employees in the cash book when they are received by the employees, and also when they are paid by the employees, which is contrary to the accounting procedure as set forth in the Accounting Manual published by the Comptroller's Bureau.

It is recommended that the Comptroller's Bureau correct the foregoing differences and instruct the department in the proper handling of travel advances.

Bookkeeping Records in Main Office: The Commercial Motor Vehicle Division's cash book in the main office was not posted currently and no entries were made in it since August 19, 1948. No entries have been made in the Miscellaneous cash book since June 30, 1948. The principal clerk in charge of income has been absent due to illness since August 19, 1948. Arrangements should be made to bring these records up-to-date.

Trial Balance Book: There is no Trial Balance Book in the Department of Public Utilities nor has any trial balance of the general ledger been taken for years.

It is recommended that a Raymonds Trial Balance Book be provided and that a trial balance of the general ledger be taken monthly.

Miscellaneous Debits and Credits on Cash Book: The miscellaneous debit and credit items in the cash book are posted to their respective accounts in the general ledger through journal entries.

It is recommended that all receipts and disbursements recorded in the cash book be posted directly to their respective accounts in the general ledger from the cash book.

Financial Reports: The financial reports which are rendered monthly to the Comptroller's Bureau do not always reflect the balances which appear in the general ledger. There were many accounts in the general ledger during the fiscal years 1946, 1947 and 1948 which were not properly closed.

It is recommended that the Comptroller's Bureau review the general ledger account and see that they are properly closed.

In this connection it was noted that while the current audit was in progress, the 1948 general ledger accounts were closed by the Comptroller's Bureau.

Motor Truck Division—Income: It was noted that there were variances between the income of the Truck Division as recorded by that division and that of the main office.

DEPARTMENT OF PUBLIC WELFARE

GENERAL DEPARTMENT REPORT NO. 2549

Appropriation for Reimbursements to Cities and Towns for Temporary Aids: It was noted that on October 31, 1948, there was an unallotted balance in this appropriation of \$10,000.00 and an allotted balance of \$197,710.54, or a total unexpended balance of \$207,710.54. It was understood that on November 1, 1948 there were approved bills from the cities and towns totaling \$187,986.12 which had not been paid.

Aid to Dependent Children—State Share: For the 1949 fiscal year an appropriation of \$3,826,000.00 was granted, to which was added \$80,372.33, the unexpended balance June 30, 1948. To August 31, 1948 the reimbursements paid to the cities and towns during the 1949 fiscal year totaled \$3,107,395.32, which covered payments made by the cities and towns from July 1, 1947 through June 30, 1948. In other words, reimbursements to the cities and towns were at least three months behind, and by June 30, 1949 will be at least ten months in arrears as no further reimbursements can be made until July 1, 1949 when the 1950 appropriation will be available. However, it should be stated that during each calendar year the cities and towns get reimbursements for twelve months' expenditures and that federal reimbursements are made currently.

Old Age Assistance—State Share: For the 1949 fiscal year an appropriation of \$20,990,000.00 was granted. To November 22, 1948 reimbursements to cities and towns totaled \$9,901,839.44, which covered payments made by the municipalities through September 1948. The unexpended balance of \$11,088,160.56 in the appropriation on November 22, 1948 is sufficient to reimburse the municipalities only through February 1, 1949.

Approvals on Invoice Warrants: It was understood that the invoice warrants sent to the Comptroller's Bureau for payment are not signed by the Commissioner nor do they pass through his hands. According to a bulletin dated October 1946, the Commissioner has delegated the authority to stamp his name with a "Facsimile Signature Stamp" on the invoice warrants to the Business Agent and to the Assistant Director of the Division of Aid and Relief, who after so doing sent the invoice warrants to the Comptroller's Bureau.

Division of Aid and Relief—Accounts Receivable: Charges to cities and towns for board of inmates at the State Infirmary originate in the Settlement Division where so-called billing cards are kept. Quarterly the cards are totaled on an adding machine and the cards, together with a memo showing the total of the billings, are sent to the Bureau of Accounts. There the cards are totaled on an adding machine, following which the bills are made out and the billing cards returned to the Settlement Division. It is suggested that any differences between the Settlement Division totals and the Bureau of Accounts totals be shown on a reconciliation sheet which should be kept for audit purposes. Adding machine tapes should also be retained.

Payments for support are sometimes received by members of the Settlement Section personnel and also by the Assistant Director of the Division. The monies so collected are turned over to the Bureau of Accounts. Standard receipt books should be used by all employees when monies are collected on behalf of the Commonwealth.

Division of Aid and Relief—Suspense Accounts Receivable: The Division has been notified by the office of the Attorney General that certain accounts totalling \$5,202.50 had been abated. The accounts listed had been charged against the Child Welfare Department of the City of Boston. The letter of notification was dated September 17, 1948, but the accounts included in the above total were not charged off until after the audit date, November 22, 1948. This amount is included in the balance of accounts receivable as shown by Schedule X of this report.

Accounts Receivable—City of Revere: The accounts receivable records of two divisions within the Department indicate a total of \$41,128.73 due from the City of Revere on November 22, 1948, as follows:

| DIVISION | WITH THE ATTORNEY GENERAL FOR COLLECTION | | NOT TURNED OVER TO THE ATTORNEY GENERAL | TOTAL |
|------------------------|--|--|---|--------------------|
| | | | | |
| Aid and Relief | \$13,138.50 | | \$10,308.00 | \$23,446.50 |
| Child Guardianship . . | 10,666.21 | | 7,016.02 | 17,682.23 |
| Total | <u>\$23,804.71</u> | | <u>\$17,324.02</u> | <u>\$41,128.73</u> |

It is understood that the Attorney General has obtained a judgment against the City of Revere for \$2,533.00, which relates to part of the balance of Aid and Relief accounts in that office for collection. It is suggested that all accounts unpaid by this city be turned over immediately to the Attorney General for collection.

The unpaid balances are, of course, increasing quarterly with each new billing and no payment is being made.

Accounts with Attorney General: It was noted that on November 22, 1948 the total of the outstanding accounts receivable was \$205,671.87, of which accounts totaling \$35,201.50 (including \$23,804.71 due from the City of Revere) were with the Attorney General for collection.

Board of Private Patients at Tewksbury State Hospital: Referring to this, the previous audit report stated:

"Referring to board of private patients, it is understood that the social service section of the department makes this determination and apparently the only records of such cases in that section are in the particular case history folders. It is suggested that the social service section keep a segregated record of private cases authorized which will provide a basis for auditing this type of income."

Attention is again called to this suggestion.

Ledger Accounts with Municipalities Account of Division of Aid and Relief: Previous audit reports stated:

"It is again recommended that each ledger account with a municipality be backed up by a ledger account with each person included in the make-up of the account—at present there are ledger accounts with the municipalities but the detail is shown only on duplicate bills."

As this recommendation has not been adopted, attention is again called to it.

Division of Aid and Relief—Income Transferred to Institutions: It is suggested that all income received by the Division for credit to the State Farm and to the Infirmary at Tewksbury be transferred directly to the State Treasurer and a copy of the receipts voucher only be sent to the institutions concerned. At present, income of this kind is transferred directly to the institutions and is later transferred by the institutions to the State Treasurer.

Division of Child Guardianship—Ward Wages Monthly Reports: At the time of the audit it was noted that monthly ward wage reports were filed at the various district offices. It is suggested that the original copy of the report be held in the main office, at least until they have been audited. It was also noted that many reports had no vouchers attached to substantiate purchases made for the ward. It is suggested that visitors instruct the employers to attach vouchers for expenditures made to each monthly report. It is further recommended that all monthly wage reports be signed by the supervising visitor.

Division of Child Guardianship—Funds of Wards, Whereabouts Unknown: Unclaimed funds of wards who cannot be located should be transferred to the State Treasurer in accordance with Chapter 618 of the Acts of 1941. No funds were transferred during the period covered by the audit, but ten accounts totaling \$275.08 were to be transferred after November 22, 1948.

Division of Child Guardianship—Reimbursements for Support of Children by Individuals: In addition to reimbursements by cities and towns for support of children, the Department is reimbursed by individuals on order of the court and occasionally on their own initiative. Payments are sometimes made to probation officers and sometimes directly to the Division.

It was noted that the Division had improved its records on such cases and it is believed that the possibility of recovering additional revenue warrants a closer control of these items.

Division of Child Guardianship—Storeroom: The storage facilities as mentioned in previous audit reports have not improved and it is again suggested that adequate storage facilities be provided.

Storeroom Issues to Temporary Homes: It was noted that of the total issues of \$31,136.21 for the period from January 2, 1948 to November 22, 1948, issues amounting to \$13,210.62 were made to so-called temporary homes for children. It was noted that the temporary homes are not required to file reports showing the disposition of the clothing, etc., received. It is suggested that, if practical, a monthly report be installed.

Division of Juvenile Training: Prior to the passage of Chapter 310 of the Acts of 1948, this Division had been under the Department of Public Welfare. The act established the Youth Service Board which supplants the Division of Juvenile Training and which serves under the Governor and Council. This was declared to be an emergency law. The Director of the Division of Juvenile Training was carried on the Department of Public Welfare pay roll through December 31, 1948.

State Board of Housing: Chapter 260 of the Acts of 1948 transferred the powers and duties of the State Board of Housing to the State Housing Board, which will now serve under the Governor and Council. Prior to the passing of this law, the State Board of Housing came under the Department of Public Welfare.

Robbins Farm: Chapter 376 of the Acts of 1948 authorized the sale and conveyance of Robbins Farm to the Town of Walpole for one dollar, the property to be used and sold for veterans' housing purposes only.

Division of Aid and Relief Trustee Accounts: Previous audit reports stated:

"These funds are received in the first instance in the office of the Assistant Director of the Division, located in the State House, are placed in an envelope and sent daily to the bookkeeping office, located in the Ford Building, where a receipt in duplicate is made out for each item and the funds deposited in individual savings bank accounts. The duplicate copy of the receipt is retained in the bookkeeping office and the original copy of the receipt is sent to the office of the Assistant Director of the Division who sends them to the social service section, where some have been filed in case history folders and some have been placed in an envelope.

"Apparently the receipt forms merely serve as inter-office memos and it is suggested that this matter be brought to the attention of the State Comptroller to the end that the receipt forms may be used for the purpose intended."

As this suggestion has not been followed, attention is again called to it.

DIVISION OF JUVENILE TRAINING REPORT No. 2530

Duplicate Charges for Wards' Board: It was noted that changes in the method of billing, as recommended in the previous audit report, have been carried out and charges for each month are now recorded on separate invoices.

Special Bank Account—Boys' Parole Branch: This fund has been set up to reimburse male wards for irregularities which occurred in their savings accounts during the years 1943 and 1944. Responsibility for these shortages has never been placed, but despite this fact the Trustees, acting independently and upon their own assumption that a deceased employee of the Division was guilty, demanded and received from the widow of the employee the sum of \$1,000.00 to set up this fund.

The full amount of the shortage has never been determined, but the Trustees have paid from this special account various claims as they have arisen and been proved.

No payments were made from this account during the current audit period and the balance remains as listed in the previous audit report at \$52.05.

Unpaid Wages—Female Wards: It is the practice of the Girls' Branch of this Division to place their wards in private homes as domestics. At the time the ward is placed, the Division enters into a written agreement with the prospective employer which generally provides that the employer shall pay wages in addition to maintenance, with the further provision that the cost of clothing for the ward shall be deducted from such wages. The balance after such deductions is forwarded to the Division of Juvenile Training for deposit in the ward's saving account. Entire control in the collection of wages due, therefore, rests with the Division of Juvenile Training.

On November 29, 1948 the sum of wages due these wards, not including the months of October and November 1948, amounted to \$581.95. During the progress of the current audit, cash and settlements received amounted to \$193.18.

The remaining balance consisted of wages three months to over a year old.

Verification notices mailed to these former employees, for the most part, have been unanswered.

It is, therefore, again recommended that the facilities of the Department of Labor and Industries be utilized in proceeding against employers who refuse to settle their accounts.

Youth Service Board: Chapter 310, Acts of 1948 provides for the creation of "The Youth Service Board." The "Board" will consist of three members to be appointed by the Governor with advice and consent of the Council. Original appointments are from three to five years. Subsequent appointments are to be for five years. The chairman of the "Board" is to receive a salary of \$9,000.00, the other two members are to receive \$8,000.00 each. In addition, each member is to be reimbursed for actual expenses incurred in performance of duties.

The act further provides that there shall be a committee, to be known as the advisory committee on service to youth, consisting of 15 members appointed by the Governor with the advice and consent of the Council. Original appointments shall consist of five members to serve six years, five to serve four years and five to serve two years. Subsequent appointments shall be for six years. No compensation is provided for the committee members but they are allowed travel expenses for official duties.

Section 31 of this act reads as follows:

"For the purpose of the appointment of the advisory committee on service to youth this act shall take effect on its passage; for the purpose of the appointment of the youth service board this act shall take effect

on September first in current year and the remainder of this act shall take full effect on January first, nineteen hundred and forty-nine; provided, that the board shall have until July first, nineteen hundred and forty-nine to assemble the technical staff necessary to make the diagnosis of each person committed to it as required by section five of chapter one hundred and twenty of the General Laws."

This act was declared an emergency law and was approved on May 13, 1948.

The members of the Youth Service Board, who were appointed December 1, 1948, are as follows:

| | | TERM EXPIRES DECEMBER 1 |
|-----------------------|------------------|----------------------------|
| Thomas J. Tuohy | Boston | 1951 |
| William A. MacCormick | Boston, Chairman | 1952 |
| Cecilia McGovern | Boston | 1953 |

The following were appointed on July 22, 1948 to the "Advisory Committee on Service to Youth".

| | | TERM EXPIRES JULY 22 |
|------------------------------|----------------|-------------------------|
| Lois B. Rantoul | Brookline | 1950 |
| Maxwell Shapiro | Boston | 1950 |
| William H. Ohrenberger | Dorchester | 1950 |
| Raymond P. Gallagher | Springfield, 2 | 1950 |
| Reverend Stanislaus Sypek | Cambridge | 1950 |
| Ruth Evans O'Keefe | Swampscott | 1952 |
| Dorothy K. Brown | Boston | 1952 |
| John M. Kingman | Boston | 1952 |
| Ruth Anthony Waring | Swansea | 1952 |
| Katherine R. Driscoll | West Roxbury | 1952 |
| Dr. William O. Kvaraceus | Sharon | 1954 |
| Reverend William S. Ravenell | Roxbury | 1954 |
| Dora Margolis | Allston | 1954 |
| Robert M. Mulford | Winchester | 1954 |
| Marie H. Hazen | Holyoke | 1954 |

INDUSTRIAL SCHOOL FOR GIRLS REPORT No. 2534

Escrow Retirement Fund: Funds of the Escrow Retirement Fund are not deposited in a bank account, such funds are carried as cash on hand in the office. Payments from this fund are made in currency. Separate pay roll cards for the amount of retirement deductions are not maintained for new employees. It is suggested that the Comptroller's regulations governing the operation of this fund be followed.

Farm Products to Storeroom: The value of the farm products sent to the storeroom as shown by the farm report for the farm year ending December 31, 1947, are not in agreement with the financial records for that year.

In this connection it was noted that daily and monthly farm reports which show production and distribution have not been prepared.

Trial Balance of Stock Ledger: The trial balance of the stock ledgers are not listed in accordance with instructions in the Comptroller's Bureau Accounting Manual.

Inventories: Prior to the date of audit a physical inventory of materials and supplies carried in the stock ledger had not been taken since June 30, 1948. In this connection reference is made to the Comptroller's Bureau Accounting Manual which indicates that complete inventories of active items should be taken at least four times each fiscal year.

LYMAN SCHOOL FOR BOYS REPORT No. 2509

Materials and Supplies: Comparison of the physical inventory with stock ledger balances on October 25, 1948, showed wide variations in several instances.

In this connection, it was noted that monthly inventories of materials and supplies had not been taken. It was further noted that where inventories had been taken and substantial variances seen, proper adjustments had not been made.

It is suggested that a complete physical inventory of materials and supplies carried in the stock ledger be taken monthly in order to more accurately control the inventories.

MASSACHUSETTS HOSPITAL SCHOOL REPORT No. 2608

Minutes of Trustees' Meetings: The minutes of the trustees' meetings were reviewed for the period under examination. In this connection it was noted that they consist of loose sheets of paper and are not signed nor are they incorporated in the regular bound record book of these proceedings which is available. It is suggested that this record be properly kept.

1947 Farm Report: In reconciling the figures as recorded in the 1947 farm report with the farm accounts in the general ledger it was noted that many differences existed. This was discussed with the institution treasurer who indicated that an effort will be made to trace these variances and adjust the records accordingly.

Endowment Fund—Donations: During the period covered by this examination a so-called "Donations Fund" was established as part of the Endowment Funds. Donations received as the result of an organized campaign, to date of audit, totaled \$14,780.00. Hundreds of individuals contributed in amounts varying from \$5.00 to \$1,000.00. Payments to date from the funds thus received totaled \$7,248.18, of which \$2,282.75 was for printing and expenses paid to a publishing company in connection with the drive's expenses. The balance remaining in this account on date of audit was \$7,531.82.

In an effort to establish the circumstances under which these funds were raised the matter was discussed at great length with institution officials. It was indicated by them that this campaign was necessitated by a lack of funds in the 1949 maintenance appropriation granted by the Legislature to the institution, particularly in the "Medical and General Care" classification. It was also learned that the drive was promoted by a local publishing company who printed and distributed a pamphlet describing the campaign and its purposes. The board of trustees of the institution approved the entire arrangement.

Payments from the funds to date of audit were as follows:

| | | | | | | | |
|---------------------------------|---|---|---|---|---|---|-------------------|
| Medical Supplies | . | . | . | . | . | . | \$2,643.56 |
| Fund Raising Expense | . | . | . | . | . | . | 2,364.62 |
| Medical — Professional Services | . | . | . | . | . | . | 2,240.00 |
| | | | | | | | <u>\$7,248.18</u> |

It will be noted from the foregoing that, with the exception of the expenses in connection with this campaign, expenditures were for items which might ordinarily be paid from state appropriations.

Endowment Fund—Approval of Payments by Trustees: In connection with reconciling authorization of payments from this fund with minutes of the Trustees' meetings some difficulty was encountered in tracing individual payments. Therefore, it is recommended that a system of stamping each voucher "approved" be instituted. The approval should be signed by the chairman of the trustees and should also include a reference to the particular minute of the trustees' meeting where the original approval was indicated.

TEWKSBURY STATE HOSPITAL AND INFIRMARY REPORT No. 2605

Pay Roll Bank Account: On the date of audit the pay roll bank account had not been reconciled since August 1948, therefore, a current reconciliation could not be made in connection with this audit.

Escrow Retirement Funds: The Escrow Retirement Fund individual account cards were in such condition that they could not be properly audited. It was necessary to go back to the start of the fund and make a complete analysis of all transactions.

Unpaid Schedule of the 1948-9 Year: On the date of audit there was still due from the State Treasurer a schedule amounting to \$320.57. The Comptroller's Bureau refused to authorize the payment of this schedule until the institution obtained a refund of \$105.00 overpaid in salary to a physician. It is suggested that steps be taken to correct this situation.

Accounts Receivable: In view of the difficulty in collecting for institution sales, particularly wood, it is suggested that all sales be made on a cash basis and that delivery be made only on the presentation of a receipted sales slip.

All open unpaid accounts dated prior to 1947 should be referred to the Attorney General for collection or deposit.

Patients' Funds: At the time of the previous examination attention was called to the fact that there were many accounts of several years standing which represented overdrafts and for which there appeared to be no legal means for disposition. This involved on date of audit 59 items totaling \$62.82. It was further noted at that time that there was an item of \$438.85 representing accumulated interest in patients' fund cash which also could not apparently be disposed of through available channels. It was hoped, however, that the overdrafts could be closed out by application of the accumulated interest. In this connection the following correspondence with the Department of the Attorney General is shown:

September 27, 1946

Department of the Attorney General
Executive Department
State House, Boston, Massachusetts

Gentlemen: Total amount Patients' Fund Account \$15,439.97 as of 3/25/46.

In our official Audit from 4/2/45 to 3/25/46 the following comment was made:

"Overdrafts in patients' accounts ranging from \$.05 to \$17.32 were noted during this audit. The total of these overdrafts was \$76.85. This department can make no suggestion as to how these shortages can be recovered, however, it is obviously the duty of the institution to correct this situation without further delay and without loss to the remaining patients."

This account consists of patients' monies which are left to their account in the institution from which they are allowed to withdraw at the rate of \$.50 weekly.

Any patients' account amounting to in excess of \$100 is placed in a savings bank account enabling the patient the advantage of drawing interest from same, and does not appear under this patients' fund account. Therefore, this account is made up of very small amounts many of which range not more than two or three dollars at any one time.

As of March 2, 1944 the Trustees of the institution made the following five votes:

- (1) It was moved by Mr. Reilly, seconded by Dr. Collins and

Voted That the Superintendent, as soon as convenient, open a checking account entitled "Patients' Funds" in a commercial bank chosen by him and approved by the Trustees, and deposit therein all funds hereafter delivered into his care and custody belonging to patients, in accordance with the provisions of General Laws, Chapter 122, Section 2(b) as amended.

- (2) It was moved by Mr. Reilly, seconded by Mr. McLellan and

Voted That on or immediately after the next interest payment date, the money, both principal and interest, now deposited in the Savings Bank be withdrawn and deposited in said checking account.

- (3) It was moved by Mr. Reilly, seconded by Dr. Collins and

Voted That the books of account of the Institution shall record, in each instance, the amount of money left with the Superintendent, the person to whom it belongs and the date of its deposit and withdrawal.

- (4) It was moved by Mr. Reilly, seconded by Mr. Watkins and

Voted That at the end of each fiscal year, the portion of said funds which has remained unclaimed for more than seven years shall be paid by the Superintendent to the State Treasurer, in accordance

with the provisions of General Laws, Chapter 122, Section 2(c) as amended.

- (5) It was moved by Mr. Reilly, seconded by Mr. McLellan and

Voted That the balance of interest on the Savings Deposit, after payment of such just claims as have been made against it, shall be paid by the Superintendent to the State Treasurer in accordance with the provisions of General Laws, Chapter 122, Section 2(c) as amended, seven years after it is deposited in said "Patients' Funds".

The reason for the above votes was that they felt the institution was acting as a Trustee of these accounts, and that any interest earned from the deposit of the same legally belonged to the patients.

Where these accounts represent a very large number of small accounts and where the amount is constantly varying, it would be impossible to break down the interest that was accumulating. For this reason it was changed back to a checking account in accordance with their vote.

The interest on hand which accrued during the period from 1937 to 1944 amounted to \$438.85, and as noted by the Trustees' votes, this money will at the end of the seven year period be turned over to the State Treasurer.

With reference to the Auditor's comment of the overdrawal on these accounts amounting to \$75.85, the amount of overdrawals at this time is \$74.82 inasmuch as the difference was deposited in a patient's account who had overdrawn.

As you will note from the dates, the majority of these overdrafts were made during 1944-45. Some date back as far as 1936. There have been numerous changes in personnel among our clerks in the Treasurer's department since that date, and I feel it would be practically impossible to break this down to find the individual errors made in each instance.

During the 1944-45 our office help were working under extreme handicaps because of shortage in personnel; some employees were here a very short duration; new help; and during some of this period our Institution Treasurer was on military leave of absence.

These shortages occurred in most instances because money was given out on request slips when the patient's individual account cards had not been posted up to date.

This is most definitely a poor procedure and since being brought to my attention has been stopped, even though it may cause delay in the patients' receiving their weekly stipend.

The one instance of \$17.32, which is the largest of the overdraft accounts, was purely and simply a defraud and was accomplished by the patient. On the depositing of money they are given a receipt for the total amount. This patient on leaving the institution presented his receipt to a new clerk at the institution, who gave him 17.32. It was determined very soon thereafter that this patient had previously withdrawn the entire amount of his deposit, and every attempt was made to get in touch with him, with no avail.

Each and every member of the Treasurer's staff have been informed that any money given in an overdrawn account will have to be made up personally from now on. Inasmuch as it is impossible to determine the source of the error in each individual case up to the time of the Audit, I feel it would be most unfair to demand that a few clerks make up for errors where it is impossible to determine or get reimbursement in the majority, I am requesting if it is within your power to allow us to deduct from the accrued interest of \$438.85 which will eventually revert to the State Treasurer, the amount of \$74.82 to clear this account.

I would welcome any comment or suggestions that you might make to enable us to balance this account in any other way you deem might be more fitting.

Thanking you for your consideration in this matter I remain,

Yours very truly,

C. WINTHROP HOUGHTON, M.D.,
Superintendent

CWH:MJM
Encl.

COPY

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF THE ATTORNEY GENERAL
BOSTON 33, MASSACHUSETTS

October 8, 1946

C. Winthrop Houghton, M.D.,
Superintendent, Tewksbury State Hospital
and Infirmary
Tewksbury, Massachusetts

Dear Dr. Houghton:

I wish to acknowledge receipt of your letter of September 27, 1946.

I know of no authority under the law which I can give you to make the charge-off suggested in your letter. This is a matter that should be called to the attention of the Legislature and a bill filed which will authorize you to take the action which you apparently desire to take.

Yours very truly,

/s/ CLARENCE A. BARNES,
Attorney General

COPY

TEWKSBURY STATE HOSPITAL & INFIRMARY

November 8, 1946

Charles W. Greenough, Budget Commissioner,
Commission on Administration and Finance,
State House, Boston, Massachusetts.

Dear Sir:

Enclosed is a copy of a letter sent to the Attorney General on September 27, 1946 and copy of his reply.

In discussing this matter with Deputy Comptroller Houghton following receipt of letter from the Attorney General, he stated that if we made this as a budget request, asking that in our 1947 budget the sum of \$74.82 be allowed in order to clear this account, and by so doing receiving the direct authorization of the Legislature, thus alleviating the necessity of filing a separate bill to clear this matter.

At the request of my Board of Trustees at their meeting on November 7, 1946, I am therefore asking that the sum of \$74.82 be allowed in our 1947 budget to clear this matter.

This will allow at a later date the entire amount of interest amounting to \$438.85 to be turned into the general treasury as the total of accumulated interest.

Thanking you for your consideration of this request, I remain

Yours very truly,

/s/ C. WINTHROP HOUGHTON, M.D.,
Superintendent

In connection with the foregoing it is interesting to note that these funds have not yet been made available by the General Court.

It is also noted that by vote of the trustees, all funds belonging to patients included in this account are now deposited in a commercial bank account. This change was made in order to avoid receiving and disposing of interest on deposit. Without doubt, this is obviously a very satisfactory method of solving what appears to be a simple problem.

Included in the list of patients bankbooks are 4 belonging to patients deceased in excess of 7 years. These books should be disposed of in accordance with statute.

In order to determine the accuracy of the so-called active file of patients' funds, all names of inmates having funds were checked to the institution register. This

resulted in the transfer of 91 accounts totaling about \$550.00 from the active to the inactive file.

Community Store: In many instances it was noted that the dates of payments of invoices per the cash book did not agree with the actual dates of payment. Entries should be currently made and dated as they actually occur.

Excise taxes collected are rung up in the register and included in the sales column in the cash book. They should be kept in separate columns.

Many errors were noted in the pricing of goods to be sold. This matter was discussed with the superintendent and arrangements were made to have the bills priced by the store clerk who should be the best qualified to perform this function. Mathematical extensions, etc. will be continued to be checked in the institution treasurer's office.

It has been the practice for the treasurer to enter in the cash book the total appearing on the cash register tapes and at the end of the month making an adjusting entry bringing the cash account into balance with the actual amounts collected. As this cash has consistently been over, there has been built up a total of about \$88.94 in this category. A representative of the Comptroller's Bureau instructed the institution treasurer to enter the actual cash as received. It is suggested that this overage of \$88.94 be entered in the canteen cash book as miscellaneous income.

It was noted in connection with the current examination that a shortage of \$394.17 existed in the community store with respect to the reconciliation of the physical inventory on date of audit with the book inventory. It would appear that with the type of operation of this store that small overages would be more normal.

Jennie M. Reed Fund: This fund is carried in the general ledger but is not current as no bank interest has been credited since 1944. In order to bring this account up to the date of audit, March 21, 1949, interest in the amount of \$719.96 should be added by journal entry.

Farm Records: Farm sales of hides for the 1948 year totaled \$332.00. In this connection it was noted in 1947 that no income from this source appeared although approximately the same number of animals were slaughtered. No further information was available on this report.

Due to the changes in coding bills put into effect by the Comptroller's Bureau on July 1, 1948 it was extremely difficult to reconcile farm costs as shown in the financial report with that shown in the farm report. Therefore, only the total expenditures were reconciled.

Conscience Fund: It was noted that a second contribution of \$100.00 to the Conscience Fund was made approximately one year after the date of the first contribution was mentioned in the audit report of the previous examination.

Inmates' Receipt Books: There appears to be more or less confusion with regard to the use of these books. The office copy of these receipt forms should not be sent to the institution treasurer's office accompanied by the amounts for which the receipt was given. It was noted in several cases receipts were made out even though the accompanying checks were cashed and the money given to the patient. Although the office copy of the receipts were on file, no cash book entry could be found in the instance of the following receipts:

| | | |
|-----------|---------|--------|
| Book 2064 | Slip 21 | \$2.00 |
| | Slip 32 | 5.00 |
| 4002 | Slip 17 | 13.00 |
| | Slip 19 | 13.00 |
| 1982 | Slip 37 | 19.00 |

It was also noted in the case of receipt book 1985, slip 5 for \$10.00 and book 1987, slip 13 for \$10.35 that no cash book record was available.

Unpaid Checks: In the state account there were found 11 checks over a year old. These should be handled as prescribed by the Comptroller's Bureau. In the canteen fund was found 8 outstanding checks issued to the Postmaster at Tewksbury during the years 1945, 1946 and 1947 totaling \$154.24. He has re-

peatedly been asked to put the checks through for payment but has failed to do so. It is recommended that payment be stopped on these and all other checks over a year old and the amount added to the check book balance.

The patients' fund also has several outstanding checks of over a year which also should be accordingly disposed of.

DEPARTMENT OF PUBLIC WORKS
GENERAL DEPARTMENT REPORT No. 2607

Financial Records in General: Two separate sets of financial records (including the cash) are kept; one for the Division of Waterways and the other for the Highway Division.

Highways Division—Advances to Employees: The records of the Department showed that \$49,687.04 was charged to employees for advances as of March 15, 1949. The total is unusually large as compared with advances of previous years. This amount was charged to 226 employees, an average of over \$200.00 to each of the employees concerned.

A total of 226 verification notices were sent out to employees and former employees and 211 replies were received. Notices were not returned by 15 employees who were charged with a total of \$1,567.62.

It was noted that several employees to whom advances had been made for the 1948 fiscal year had not made returns on June 30, 1948. It is suggested that advances made to employees be returned on or before June 30th of each fiscal year.

It is believed that advances to temporary employees is contrary to rules and regulations of the Comptroller's Bureau. It was noted that many such advances were made by the Highway section. One temporary employee who had received a cash advance was not in the employ of the Commonwealth on March 15, 1949, and a balance of \$53.69 was due from him when he concluded his services with the Department. This amount had not been collected to the time of the completion of the audit.

Robbery in Traffic Shop: When the cash advance to the Traffic Shop, located at 1890 Columbus Avenue, Boston, was reconciled March 15, 1949, a shortage of \$86.62 appeared. From information received and from memoranda on file, it was learned that the shortage was due to a robbery which was committed either during the night of March 1, 1948, or in the early morning of March 2, 1948.

According to a report presented by the Traffic Engineer at a meeting of the Commission held March 8, 1949, another break had occurred at the same Traffic Shop. This report indicated that apparently nothing was stolen, but the office safe, purchased a short time previously for \$85.00, was damaged to such an extent that it became worthless. The break was reported at 3:45 a.m., March 2, 1949, by an employee of the National Detective Service who had discovered the break while making a periodic inspection. Everything was stated as being in order at the time of a previous round of inspection made at 1:30 a.m.

The loss of the cash amounting to \$86.62 was not covered by insurance and the damage to the safe which had cost \$85.00 was also not covered by insurance.

Canceled or Defaced Checks: All check numbers should be entered in the cash book regardless of the fact that they have been canceled or defaced. The check number should appear in the cash disbursements book in sequence, and if it is not used a dash should appear in the Cash column opposite the check number. This method provides a better control over the checks.

Analysis of Columns in Cash Receipt Book: It is suggested that an analysis be made at the end of each month of the accounts receivable column and of the miscellaneous column. A summary of the analysis of each column should be entered after the cash receipts book has been ruled off for each month.

Postings from Cash Book: It is suggested that general ledger page numbers be entered in the cash book at the end of each month designating the account page number to which each amount is posted from both cash receipts and cash disbursements.

Highways—Revision of Accounting System: Previous audit reports have treated in detail the expenditures made by the Commission on Administration and Finance under Item 2940-01 of Chapter 419 of the Acts of 1941 which provided:

"For expenses incidental to the revision of the accounting system in the department of public works and the metropolitan district commission, under the direction of the commission on administration and finance \$25,000.00."

The Public Administration Service of Chicago, Illinois, was employed by the Commission on Administration and Finance to do the work. A previous audit report stated that up to November 5, 1945, a total of \$30,630.86 had been expended under this authorization. The excess of \$5,630.86 over the original appropriation was provided by transfers from the War Emergency Fund. Of the total expenditures the Public Administration Service received \$27,824.00 for personal services, \$1,302.75 for traveling expenses and \$600.00 for the accounting manuals.

It was understood that about September 1, 1946, the Comptroller's Bureau completed a detailed survey of the bookkeeping system installed by the Public Administration Service. No detailed review was made of the system during this audit by this Department.

It was noted, however, that a review of the machine section, which is a part of the revised bookkeeping system of the Department, is being made by a consultant who was engaged by the Commissioner of Public Works prior to the start of this audit.

The review was still in progress at the completion of this audit.

Inventories: An integral part of the installation by the Public Administration Service was a Tabulating Inventory Control System. No physical inventories were taken in connection with this audit of the stock at neither the Maintenance Shop, located at D. Street, South Boston, nor the Traffic Bureau Shop located at Egleston Square, Boston.

Test inventories taken during the previous audit were found to be impractical and the following comment appeared in the previous audit report in this connection:

"This inventory served no practical purpose, for after vainly waiting approximately seven weeks for perpetual inventory figures to be supplied by the Accounting Division, the audit of the entire department, was completed and no figures were furnished for comparison or reconciliation purposes.

"It was learned that at no time since the installation of the machine bookkeeping system has a complete physical inventory been taken and checked to the machine perpetual inventory controls. At various times inventories have been taken and it was noted that, in certain instances, a lapse of three months occurred between the date of the physical count and the transmission of these figures to the business agent's office. Further delays occurring in the machine room obviously defeated the purpose of the physical inventories. When final figures were obtained, the variances between the physical count and the book balances were excessive and ran into thousands of units.

"It is apparent from the foregoing that the so-called perpetual inventory control system which has been in operation since 1944 and was intended to expedite the work of the department in regard to inventory control has certainly not done that which was intended. It is suggested that the Comptroller's Bureau review the routine involved so that arrangements may be made to provide the necessary information currently."

It was again noted that the inventory control account had not yet been brought on the general ledger. In this connection a memorandum dated August 29, 1947 from the Department Business Agent to the Commissioner of Public Works was

noted in which he states the reason for not starting a general ledger control account as follows:

"When the new accounting system was installed it was realized that many difficulties in the field would have to be overcome before the system could properly function. Storekeepers would have to be trained, etc. It was intended that the accounting department would make periodic inspections of the stockrooms and, at that time, give the storekeepers the necessary instructions. On account of the urgency of office work the time could not be spared to do this work, with the result that the inventory is not in as good condition as we hoped it would be at this time. For that reason the control account has not been set up because when this is done a balance will have to be established as between stock purchased, stores issued and goods on hand.

"While we believe there has been a consistent improvement each year in the inventory and we hope to be in position to send a representative of this office into the field occasionally in the future, we do not think the control account should be started at the present time."

Attention is called to the statement that "each year" a consistent improvement is believed to be evident in the inventory. It is hard to understand why a system change involving only a minor activity in a major state department must take years before it becomes practically effective.

Highways—Inventories: It was apparent that the conditions relative to inventory taking and recording have not changed since the date of the last audit. It was considered impractical to take a physical inventory of the stock at the Maintenance Section in D Street, South Boston. The fact that no control account for inventories is carried in the general ledger of the Department makes inventory taking practically valueless. The following memorandum from the Maintenance Engineer to the Chief Engineer of the Highways Section, dated April 22, 1949, indicates that the Engineers in charge did not believe that an inventory at or near the date of this audit would be practical.

"Maintenance Engineer
Chief Engineer
Inventory

April 22, 1949

Last year we requested that the annual physical inventory at the D Street garage be omitted because we felt that an accurate count was impossible due to the crowded condition of the Stockroom.

It is suggested that the next inventory at D Street be deferred until our new stockroom has been completed and the stock has been properly arranged.

The date for the next physical inventory in the district storehouses has been tentatively set for September 30, 1949.

Respectfully submitted,

/s
Maintenance Engineer"

However, since the above memo was written, a physical inventory of all stock in all storerooms of the Department has been ordered by the Commissioner. This inventory is to be as of June 30, 1949.

It would appear that the cost involved and the effort expended in maintaining the present inventory is definitely being wasted. If the inventory control is to be effective, it is imperative that a correct inventory be taken and that true control account be opened and maintained in the general ledger.

Highways—Federal Aid: The balance shown in the accounts receivable ledger as being due from the Federal Government amounted to \$150,477.14 on March 15, 1949. In addition, on March 15, 1949, there was approximately \$122,668.00 on 20 completed projects on which final vouchers had not been submitted to the Federal Government.

Federal Aid is granted following the signing of a "Project Agreement" for each project. This is a Federal Government form and is signed by the Commissioners for the Department of Public Works and by the Federal Commissioner of Public Roads or his assistants.

Federal aid is authorized by the Federal Highway Act and amendments thereto. Generally speaking Federal Aid is 50% of final estimate of cost on regular and secondary roads and 100% on Grade Crossways Eliminated and Defense Access Roads on which there are project agreements. However, because of items for which the Federal Government will not make reimbursement, such as certain land takings, certain preliminary engineering and engineering costs in excess of 10% of the contract price, the Federal reimbursement is rarely 50% or 100%, as the case may be, of the total cost of the project.

Federal Aid: The Federal Government participates in certain expenditures which have been made for traffic work, traffic surveys, and for consulting services relating to traffic problems, and other similar expenditures.

The expenditures under contracts with the Maguire Associates for consulting engineering services were included for pro-rata Federal participation. However, it was noted that the extra work order of \$6,975.00 awarded Maguire Associates was not approved. The \$107,000.00 contract with this firm was completed February 2, 1948, and the amount of the original contract is included in the transcript of a final voucher covering the period from July 1, 1947 to April 30, 1949 for pro-rata share of traffic expenditures by the United States government. A copy of the transcript of the final voucher follows:

(TRANSCRIPT OF FINAL VOUCHER)

PUBLIC VOUCHER FOR CONSTRUCTION OF ROADS, UNDER PROVISIONS OF THE FEDERAL AID AND THE FEDERAL HIGHWAY ACCOUNTS

FEDERAL AID PROJECT: State—Massachusetts, County—State-wide,
No. SWHP1 (7). This voucher for period from July 1, 1947 to April 30, 1949
Contract No. W1.

For pro-rata share of the United States for labor and materials actually put
into the road comprising the above-mentioned project, as follows:

| Actual Cost | Total Participating Cost | Pro Rata of Participat- ing Claimed from U. S. | Total Amount Claimed from U. S. | Less Previous Payments | Net Amount Claimed | Approved for Payment |
|--------------|--------------------------------|---|---------------------------------------|------------------------------|--------------------------|----------------------------|
| \$310,266.00 | \$310,266.00 | 50% | \$155,133.00 | \$13,316.21* | \$141,816.79 | — |

* Entered in A/R ledger 4/16/48

| | | |
|-----------------|--|--------------|
| Inventory | maps, etc., tape, width and condition, surface of roads | \$ 23,583.34 |
| Traffic | traffic volume information, field and office | 47,008.35 |
| Fiscal | receipts and exp. from Mr. Long's records, annual statistics | 7,642.26 |
| Boston O & D | Chas. Maguire contract and survey and field work | 143,713.89 |
| Worcester O & D | field work, interviewing, etc. | 55,347.34 |
| Reports | project reports from Dept. from information on file | 6,338.40 |
| | | <hr/> |
| | | \$283,633.58 |
| | Previously submitted | 26,632.42 |
| | | <hr/> |
| | Total Cost | \$310,266.00 |

Highway Accounts Receivable—Accounts with Attorney General for Collection Included in Active Accounts Receivable Control Account: This Department has two control accounts for accounts receivable in its general ledger, active and suspense. The balances in the so-called active control account on date of audit totaled \$178,552.45. The balances in the suspense account on this date aggregated \$18,552.71.

Included in the active accounts receivable ledger were accounts totaling \$217.59 which had been sent to the Attorney General for collection on March 31, 1949. The accounts included in the suspense accounts receivable control ledger balance of \$18,552.71 were all with the Attorney General for collection on March 15, 1949. The individual charges included in this total are dated as far back as 1938.

As the balance in the suspense accounts receivable account should reflect the

total of accounts sent to the Attorney General for collection, it is recommended that the accounts included in the active accounts receivable account that are with the Attorney General be transferred to suspense and any accounts placed in this category in the future be handled in a like manner.

Accounts Receivable Relating to Highway Fund—Verification Notices Not Returned: There were 217 outstanding accounts totaling \$28,075.21 on date of audit. Verification notices were sent out on a test basis to confirm the balances as shown on the books of the Department. Forty-five notices were sent and only seventeen replies were returned.

Non-Payment of Rent by Outdoor Advertising Authority: On March 15, 1949 this office sent a verification notice to the Outdoor Advertising Authority requesting confirmation of an unpaid charge of \$3,277.65 included among the accounts receivable of the Department. This charge includes \$2,999.89 for occupancy and use of office space in the Public Works Building at 100 Nashua Street, Boston, Massachusetts for the period from September 13, 1946 to June 30, 1948 at the rate of \$138.88 per month, and \$277.86 for the months of March and April, 1949. The verification notice was signed and returned to the Auditor with no comment.

The following copy of a letter and comment appeared in the previous audit report:

THE COMMONWEALTH OF MASSACHUSETTS
OUTDOOR ADVERTISING AUTHORITY
100 NASHUA STREET, BOSTON, 14

February 18, 1948

Thomas J. Buckley, Auditor
State House
Boston, Massachusetts

Dear Sir:

The Outdoor Advertising Authority is in receipt of notification dated February 2, 1948 in reference to records of the Department of Public Works alleging unpaid charges of \$2,444.33 on our account as of February 2, 1948, for rent at the Public Works Building.

Your attention is respectfully called to the fact that the regulation and control of outdoor advertising signs was formerly under the Department of Public Works prior to the inception of the Outdoor Advertising Authority; that the activities of the Department were always conducted from the Public Works Building; that the Outdoor Advertising Authority has been housed in the Public Works Buildings; that no other quarters have been provided for the Authority; and that there was no appropriation in the 1947 budget for this Authority for rent.

Under the circumstances, we are not in a position to be able to verify the information requested in respect to the claim made by the Department of Public Works.

Yours very truly,

s/ CHARLES F. NAYOR

Chairman, Outdoor Adv. Authority

"This office is familiar with the fact that the regulation and control of outdoor advertising signs was formerly under the Department of Public Works prior to the inception of the Outdoor Advertising Authority; that the activities of the Department were always conducted from the Public Works Building and that the Outdoor Advertising Authority has been housed in the Public Works Building.

"With regard to the Chairman's statement, 'that no quarters have been provided for the Authority', it would seem that it was one of the responsibilities of

the Authority itself to do this and that they now are provided for. He further states, 'that there was no appropriation in the 1947 budget for this Authority for rent'. It would seem that this, too, is the responsibility of the Authority. An item should certainly have been included in the budget for this expense. The amount owed at the end of the 1947 fiscal year was \$1,333.28. The records of the Outdoor Advertising Authority show that an amount far in excess of this figure was unexpended and reverted on this date. No doubt approval could have been received from the budget commissioner to pay the bill at this time since the funds were available.

"Many other departments of the Commonwealth, such as the Division of Insurance, Department of Mental Health, etc., occupy and pay for space in the Public Works Building and have been doing so for many years.

"The Department of Public Works is charged with maintaining all offices and must pay for heat, light, etc., and reasonably expects to be reimbursed for this through rents. Monthly bills have been rendered by the bookkeeping division of the Department and it has made every effort to collect this debt."

It is understood that the Outdoor Advertising Authority has requested a deficiency appropriation to pay for the old balance of \$2,999.89.

If the account is not paid by the Authority within a short period it is suggested that the account be turned over to the Department of the Attorney General for disposition.

Accounts Receivable Cancellations: A copy of two reports presented by the Department Business Agent at a meeting of the Board held May 18, 1948:

"A report from the Department Business Agent, dated May 13, was presented. In his report, Mr. Fair states that two bills have been rendered by the Department for the sale of blueprints as follows:

| | | | | | | | | | |
|------------------|---|---|---|---|---|---|---|---|--------|
| Percy C. Peckman | . | . | . | . | . | . | . | . | \$.63 |
| Harold M. Roloff | . | . | . | . | . | . | . | . | .18 |

Mr. Fair states that all attempts to secure payment of these two small bills have been unsuccessful. VOTED That the bills of the Department against Percy C. Peckman and Harold M. Roloff in the amounts of \$.63 and \$.18, respectively, be cancelled.

"A report from the Department Business Agent, dated May 17, was presented. In his report Mr. Fair states that the Department has a claim of \$21.57 against Angelo Voimo, of Mt. Vernon, N. Y., for damage to guard rail in West Boylston on May 27, 1947. He states that the Department has several times written to said Angelo Voimo at his Mt. Vernon address, but all letters have been returned marked 'unknown' and 'not in directory'. VOTED That the claim of the Department in the amount of \$21.57 against Angelo Voimo be cancelled."

The two accounts mentioned in the reports were proper charges and had been entered on the books of the Department. In all such cases, regardless of the amount involved, it is believed that only the Attorney General has the authority of cancellation. It is suggested that all such uncollectible accounts regardless of amount be turned over to the Attorney General for disposition.

General Ledger—Postings: It is suggested that all postings from subsidiary books or from journal entries indicate in the folio column of the general ledger account the book page number and the journal entry number from which such posting was made.

Discounts Disallowed: A few of the concerns doing business with the Department have disallowed discounts because they were paid after the discount date. Most of these concerned were automobile dealers.

A partial list of discounts lost during the period of the audit were kept by the bookkeeping office, and the total of this list amounted to \$749.79. The elapsed time between the receipt of the bill and the date of the check was between twenty and thirty days.

It is believed that the system controlling the flow of work should be such that all such payments would be passed before the discount date.

Highways—Contract for Engineering Services for Highway Master Plan—Boston: This contract No. 4089 was awarded on September 5, 1947 and was completed February 1, 1948 at a cost of \$107,000.00. The award was made to Charles A. Maguire and Associates, Consulting Engineers, Boston. At the date of audit the \$107,000.00 had been paid.

In addition to the \$107,000.00, the amount of the original contract, an extra work order of \$6,975.00 was allowed by the Commissioners and was paid in full. This extra was awarded to the contractor to cover the cost of book reports of the master plan of highways.

A total of 2000 books were printed and were bound with 500 hard covers at \$3.90 each and 1500 soft covers at \$3.35 each, a total of \$6,975.00.

It was noted that one commissioner dissented in the vote to award the extra work order on the contract.

Copies of the report were distributed free to members of the legislature and to others closely interested in the plan.

A total of 624 reports, 117 hard covered and 507 soft covers were on hand in the traffic section of the Department on June 1, 1949. Storeroom records indicated that 75 hard covered reports were received on March 3, 1949. Of this number many were issued free upon order from the proper authority, and a few were sold at \$5.00 per copy. On June 1, 1949 there were 23 copies on hand in the storeroom.

The Joint Board, organized in compliance with the Governor's directive of August 9, 1947 for the purpose of preparing a Master Plan of Highways for the Boston Metropolitan Area submitted its report, together with the report of its consulting engineers, on February 1, 1948.

The Master Plan as developed for the Area includes 23 cities and towns in addition to Boston.

The entire program will require at least ten years to complete at an estimated cost of \$322,000,000.00.

The plan proposes a complete system of expressways to serve the metropolitan area in order to relieve the traffic congestion which now exists and to provide for the anticipated increase in vehicular traffic in the future.

The report contains plates, illustrations and exhibits in addition to an analysis of all data obtained for the survey.

A description of the proposed new routes, estimates of future traffic, recommended improvements in downtown Boston, and cost estimates are all included in the report.

The Joint Board has made the following recommendations:

1. That the Plan be adopted as the Master Plan of Highways for the Boston Metropolitan area.
2. That its financing be implemented in part by a proportionate share of a state-wide additional gasoline tax of one cent per gallon.
3. That its cost be paid insofar as practicable by long term general obligation bonds of the Commonwealth.
4. That a complete study of the feasibility of toll collection on the expressway system be instituted immediately by the Joint Board.
5. That legislation providing for the relocation of tenants of properties affected be enacted.
6. That legislation providing for the control of the development of land related to highway projects be enacted.
7. That consideration be given to the desirability of conducting parking surveys in Boston and other municipalities.
8. That the Joint Board be continued for the purpose of assisting in the preparation of legislation and in further development and effectuation of the Master Plan.

9. That the policy of highway master planning as established by this report be expended to cover the other metropolitan areas throughout the State, to be based upon origin and destination studies by the Department of Public Works, the same to be correlated with the ten-year program of the Department by joint action of the Department of Public Works and the State Planning Board.
10. That funds be appropriated to carry out the provisions of recommendations 4 and 9 above, recommendation 9 to be on the basis of Federal funds participating.

Contracts—Percentages for Contingencies: The minutes of a Commission meeting on November 16, 1948 included a report approved by the Chief Engineer which stated that for some time it has been customary in setting up encumbrances for a project to limit the amount for contingencies to 2½% of the face value of the contract. It stated that on smaller contracts of \$30,000.00 and under, this percentage appears to be entirely inadequate, particularly in view of the fact that on certain accounts the funds lapse at the end of the second fiscal year and it is not possible to increase the encumbrances except during the fiscal year in which the encumbrances were made. It was voted to approve the following percentages for contingencies on contracts:

| | |
|--|--------|
| For contracts of \$50,000.00 value and under | — 5 % |
| For contracts of \$50,000.00 to \$100,000.00 | — 3 % |
| For contracts of over \$100,000.00 | — 2½ % |

The percentages allowed for such contingencies are in addition to the amounts for which the contracts were awarded.

Contracts—Low Bid Rejected: One contract was awarded to the second low bidder for failure of the low bidder to fill out his proposal properly. The low bid on a painting contract was \$3,065.23, and the bid of the contractor receiving the award was \$3,423.28.

Highways—Flood Control: Chapter 3 of the Acts of 1949 provides for highway work and for certain improvements in rivers and streams in the Counties of Berkshire, Franklin, Hampshire and Hampden. The sum of \$1,100,000.00 was appropriated from the Highway Fund by this Act for the maintenance, construction, reconstruction, and repair of State highways and town and county ways and bridges thereon. For work on rivers and streams, the sum of \$900,000.00 was appropriated from the General Fund. The authority to enter into contracts with cities and towns and to enter into cost plus contracts expired on April 30, 1949, and the authority to enter into other contracts to hire equipment, to perform work with its own force shall expire on June 30, 1949.

Sale of Buildings: The minutes of the Board meeting of March 30, 1948 indicated two sales of buildings by auction wherein the payment for land damages was reduced by the sale price of the buildings and no cash was received from the sales.

It is suggested that in similar cases in the future the actual land damage payments be paid and the sales price of the buildings involved be paid to the Department. If this procedure is followed a complete record will appear on the books of the Department.

Hired Equipment: While the minutes of the meetings of the Commissioners indicate the approval of the various types of equipment hired, and also indicate the rates per hour, and sometimes the number of hours, there is no specific indication of the location nor dates upon which the equipment is to be used.

It is suggested that such information be included in the minutes of the meetings.

In this connection it was noted that the cost of equipment hired for the period from February 2, 1948 to March 15, 1949 exceeded \$700,000.00.

Overtime: A total of \$346,765.96 was paid for overtime during the period from February 1, 1948 to March 31, 1949. A breakdown of the overtime payments by section offices is as follows:

DEPARTMENT OF PUBLIC WORKS

PAY ROLL — OVERTIME

FEBRUARY 1, 1948 TO MARCH 31, 1949

| | | | | | | |
|----------------------------|--|--|--|--|-------------|---------------------|
| Project Division | | | | | | \$30,808.83 |
| Department Business Agent | | | | | | 30,452.46 |
| Bridge Department | | | | | | 11,678.74 |
| Finals Department | | | | | | 10,414.92 |
| Survey Department | | | | | | 10,135.04 |
| Project Engineer | | | | | | 5,869.98 |
| Laboratory | | | | | | 5,687.01 |
| Maintenance Engineer | | | | | | 2,750.16 |
| Chief Engineers — Clerical | | | | | | 2,734.63 |
| Right of Way Office | | | | | | 2,592.75 |
| Highway Planning | | | | | | 1,782.89 |
| Traffic Highway Planning | | | | | | 1,777.13 |
| Blue Print | | | | | | 1,753.69 |
| Maintenance Office | | | | | | 1,061.99 |
| Traffic Signals | | | | | | 920.81 |
| Specifications Office | | | | | | 895.26 |
| Traffic | | | | | | 754.45 |
| Maintenance Shop | | | | | | 627.09 |
| Research Office | | | | | | 516.56 |
| Maintenance Garage | | | | | | 688.15 |
| Specifications Projects | | | | | | 320.66 |
| Prorogation of Legislature | | | | | | 125.19 |
| Secretary's Office | | | | | | 111.51 |
| Airport: | | | | | | |
| Construction | | | | | \$ 5,278.36 | |
| Airport | | | | | 1,851.78 | |
| Crash Crew | | | | | 1,255.17 | |
| Snow Removal | | | | | 427.59 | |
| Lighting | | | | | 251.27 | |
| Operator's Council Meeting | | | | | 54.55 | |
| Painting | | | | | 35.04 | |
| Emergency Flood Relief | | | | | | 9,153.76 |
| Adjustments and Omissions | | | | | | 1,103.69 |
| Snow Removal: | | | | | | 6,755.96 |
| Garage, etc. | | | | | \$52,030.56 | |
| Maintenance Shop | | | | | 1,480.84 | |
| | | | | | | 53,511.40 |
| District 1 | | | | | \$5,535.17 | |
| District 2 | | | | | 6,677.65 | |
| District 3 | | | | | 8,477.20 | |
| District 4 | | | | | 6,551.43 | |
| District 5 | | | | | 6,992.21 | |
| District 6 | | | | | 4,108.85 | |
| District 7 | | | | | 5,583.67 | |
| | | | | | | 43,926.18 |
| Waterways | | | | | | 5,738.78 |
| District 1 | | | | | \$ 4,557.84 | |
| District 2 | | | | | 9,771.28 | |
| District 3 | | | | | 21,489.18 | |
| District 4 | | | | | 12,720.57 | |
| District 5 | | | | | 27,639.02 | |
| District 6 | | | | | | |
| Draw Operators | | | | | \$ 379.32 | |
| Lock and Draw Op. | | | | | 11,524.65 | |
| | | | | | | 11,903.97 |
| District 7 | | | | | | 379.14 |
| District 8 | | | | | | 13,655.29 |
| | | | | | | \$102,116.29 |
| | | | | | | <u>\$346,765.96</u> |

COPY

Deficiency Appropriation Requests etc.: The law states that a maintenance appropriation may be expended during the years of the appropriation and liabilities for one year thereafter, but after that time all balances must revert (Section 13 of Chap. 29, General Laws).

The Comptroller has ruled that at the end of the appropriation year any bill not listed as a liability and an encumbrance filed in his office to cover it, becomes a deficiency item requiring legislative appropriation. An encumbrance filed as a liability at the end of the fiscal year cannot later be increased to cover costs not known when the encumbrance was filed.

The following is a list of deficiency items now requiring legislative authorizations before the bills can be paid, notwithstanding the fact that substantial unexpended appropriation balances were reverted at the end of the fiscal year.

MAINTENANCE AND OPERATION OF HIGHWAYS (2900-04)

Western Mass. Sand & Gravel, Inc. Purchase Order 373647, \$13.10, a 1948 Liability, Sch. E60, dated 3/3/49. D.H.E. Curtis says vendor delivered 6.55 tons

of sand over amount called for in order and the same was used. Deficiency \$13.10.

John S. Lane & Son, Inc., Schedule 848, dated 2/3/49, Purchase Order 397933. D.H.E. Curtis states deficiency caused by last truck carrying a larger quantity of trap rock than was necessary to complete the order. Deficiency \$2.43.

State Prison Colony Industries, Schedule 359, dated 1/11/49. D.H.E. Curtis states deficiency caused by freight not included in purchase order 62505. Deficiency \$362.50.

Linden & Co., Inc., Schedule W83, 12/8/48. Freight bill received after 7/1/48 not included in Purchase Order 380550. Deficiency \$12.32.

Solvay Sales Division, Schedule 67, dated 11/23/48. Company claims refund on account of discount taken on Purchase Order 353619, but payment not received within the discount period. \$19.60.

Cambridge Elec. Light Co., Schedule T94, dated 11/24/48. Bills received over-ran the encumbrance, Purchase Order D10647. \$25.50.

Bigelow & Dowse Co., Schedule M58, dated 10/15/48; D.H.E. Curtis says "Inadvertently previous payment was marked final". No encumbrance. Deficiency \$101.50.

American Oil Products Co., Schedule M99, dated 10/18/48, Purchase Order 91736. D.H.E. says "Delivery exceeded the amount ordered as is most generally the case in shipment of bitumen". Deficiency \$64.22.

State Prison Colony Industries, Schedule 1, 10/18/48. Mr. Copell says "Prison did not separate bills as between 1948 liability and deficiency and did not return bills to this department until Sept. 7, 1948." Deficiency \$42.46.

Old Colony Crushed Stone Co., Schedule G-67, 9/23/48, Purchase Order 398708 for 350 tons of stone exceeded by 6.7 tons. Deficiency \$24.79.

Trimount Bit. Products Co., Schedule E87, 9/15/48. Overrun on Pur. Order D78060. Deficiency \$103.52.

W. W. Wyman, Inc., Contractor—Contract 4188, Sheffield, reconstruction of bridge. Sch. 492 dated 2/4/49. Encumbrance exceeded because through error an estimated amount for traffic officers was not included in encumbrance. Deficiency \$142.91.

HIGHWAY ENG. AND ADMINISTRATION (2900-02)

Mass. Reformatory, Sch. Z48, 12/27/48, due to increase in cost of lumber after Pur. Order 57439 was issued. Deficiency \$68.00.

Elba Elec. Co., Sch. 800, dated 9/9/48, Contract 4164, dated 5/4/48. Cost of work exceeded the encumbrance. Electric work at Beverly Office. Deficiency \$349.32.

Legislative Reporting Service, Sch. 725, dated 8/23/48. Due to delay in receiving bill. Encumbrance on Pur. Order exceeded. Deficiency \$61.25.

STORES AND EQUIPMENT OPERATION (2900-50)

A. Boudreau Fuel Co., Sch. 252, dated 1/6/49. D.H.E. says there wasn't enough money set up in the liability list to cover this amount (Order 369501). Deficiency \$3.00.

War Assets Adm., Sch. G89, dated 9/27/48. Material received in 1947—invoices received in Aug. 1948—no encumbrance. Deficiency \$16.80.

Mass. Reformatory, Sch. G55, dated 9/22/48. Trucking charge not included in Pur. Order D34134. Deficiency \$30.00.

Bills forwarded to Comptroller as deficiencies but bills paid by Comptroller from Small Items Account 2820-02.

Pittsburg Testing Laboratory, Sch. S-83, 11/22/48, overrun of steel tested on Order 360385. (2900-02) Deficiency \$3.72.

Baker Lumber Co., Sch. G90, 9/27/48, overrun on Pur. Order 399208 for 1500 ft., 36 ft. overrun. Deficiency \$4.23.

Socony-Vacuum Oil Co., Inc., Sch. M98, 10/18/48, overrun of 57 gals. on Pur. Order D40713 delivered 7/20/48. Deficiency \$8.78.

N. E. Newsclip Agency, Sch. B10, 9/3/48, overrun on P.O. 369521. Deficiency \$1.10.

Joseph T. Ryerson & Son, Inc., Sch. C65, 9/9/48, bill for trucking not received until 7/6/48, Pur. Order 397180. Deficiency \$8.18.

Boston and Taunton Transp. Co., Sch. 567 8/6/48, freight bill on goods received Dec. 1946. Bill not received until July 27, 1948. Deficiency \$2.84.

F. G. Const. Co., Sch. S21, 11/16/48. This company demanded refund of discount taken because bill not paid within the discount period. Encumbrance previously liquidated. Deficiency \$12.43.

Deficiency Appropriation Request a Contract: A deficiency appropriation of \$4,965.72 was requested by the department for final payment of Contract No. 4018, dated January 29, 1947. This is in addition to the preceding list of deficiency appropriations. The copies of letters relating to this deficiency follow:

May 26, 1949

Fred A. Moncewicz, Comptroller
Comptroller's Bureau
State House, Boston, Mass.

Dear Sir:

I hereby respectfully request a deficiency appropriation in the amount of Four Thousand Nine Hundred Fifty-six and Seventy-two One Hundredths (\$4,956.72) Dollars to cover final payment on Contract #4018 dated January 29, 1947 with Carney Construction Company, Inc. under Account 2900-04-06. It is also respectfully requested that Eight Hundred (\$800.00) Dollars of this amount be set aside in the reserve account, 2900-72-00, to cover a claim on file in this office.

The contractor was considerably delayed in the procurement and delivery of the Electrically Operated Traffic Gates necessary to complete the execution of this contract.

Very truly yours,

WILLIAM F. CALLAHAN
Commissioner

WKB/EG

COMMISSION ON ADMINISTRATION AND FINANCE

June 3, 1949

Mr. William F. Callahan, Commissioner
Department of Public Works
100 Nashua Street, Boston

Dear Sir:

I have your letter of May 26th enclosing your Schedule T76 calling for payment to the Carney Construction Co. Inc. in the amount of \$4,156.72.

You requested in your letter a deficiency appropriation in the amount of \$4,956.72 to meet the amount due on the final payment on Contract 4018.

On December 27, 1948 this office returned to you your schedules 769 dated September 2, 1948 in the amount of \$1,323.00 and schedule #29 dated July 16, 1948 in the amount of \$1,323.00. As these two schedules were never returned to this Bureau, they have not been included in the deficiency bill which was just passed by the Legislature.

The deficiency of \$4,956.72 will be submitted when the Legislature is again considering deficiency appropriations.

Very truly yours,

FRED A. MONCEWICZ
Comptroller

By /s/ JOHN A. RONAN
Deputy Comptroller

JAR
HJC

June 7, 1949

Fred A. Moncewicz, Commissioner-Comptroller
State House
Boston, Massachusetts
Attention: John A. Ronan, Deputy Comptroller

Dear Sir:

Your letter of June 3 relative to deficiency appropriation of \$4,956.72 on Contract #4018, Carney Construction Co., Contractor, is received. Your letter states that your office returned to this department on Dec. 27 schedule dated Sept. 2, 1948, \$1,323.00, and on July 16 schedule dated July 16, \$1,323.00. In addition to the schedules mentioned in your letter, schedule dated Aug. 19, 1948, \$9.45, was returned with your letter of Aug. 27, 1948.

You will recall that under date of Nov. 4, 1948 the entire amount of the reserve was released to the contractor due to the delay in making regular payments to him. After making this payment no further action could be taken until the amount due the contractor was determined. The final figures were determined on May 23, and were accepted by the contractor on May 24, 1949. On May 26 we forwarded to your office the schedule showing the final amount due the contractor.

I would request that this deficiency be presented for early action by the Legislature.

Yours truly,

WILLIAM F. CALLAHAN
Commissioner

It is believed that payments of small deficiency amounts from the small items appropriation would save time and work and would expedite payments.

DIVISION OF WATERWAYS

Books of Account: The books of account and financial records required to be maintained by the Financial Section, Division of Waterways, have not been kept current.

As of March 15, 1949, the date of this audit, a trial balance of the general ledger could not be taken, due to the fact that this ledger had not been posted to since June 30, 1945.

The financial reports reflecting the status of the appropriations and expenditures should be prepared at the close of each fiscal year. These financial reports have not been prepared since the fiscal year 1945.

A rough draft form of appropriations and expenditures was prepared for the fiscal year ended June 30, 1948.

It is recommended that the books of account immediately be brought up to date, and the financial reports be prepared for the fiscal years 1946, 1947, and 1948.

Cash: Fourteen expense checks of employees were being held in the office awaiting endorsements by the employees concerned. The checks totaled \$614.41, dated from February 9, 1949 to March 10, 1949 and were to be turned over to the division as partial returns of advance money.

The office petty cash fund contained expenditures of \$253.03 vouchers not scheduled for reimbursement. The expenditures were for postage, land taking registrations, and meals, and the vouchers bore dates from July 7, 1948 to March 15, 1949. Petty cash vouchers should be scheduled at least once a month.

Advance to Employees: Two balances listed as advances to employees were represented by unscheduled vouchers. One covered expenditures of a former commissioner in the amount of \$123.78, and the second for \$25.40 was for expenditures made by a former associate commissioner. The vouchers were dated from July 8, 1948 to January 7, 1949, but were not scheduled as a return of advance until May 31, 1949.

It is suggested that all vouchers be scheduled more promptly.

Cape Cod Canal Pier—Weekly Reports: It was noted that no weekly reports had been filed by the employee in charge of the Cape Cod Canal Pier during the period from February 2, 1948 to March 15, 1949.

A report should be filed with the Division weekly by the employee in charge of this pier, and such a report should indicate the activities of the week particularly as to income collected and to any docking or use of the pier for which charges should be made by the Division.

Delinquent Billings: The following comment appeared in the previous report:

"The income for the Waterways Division is derived from rentals of State pier facilities, licenses issued, sale of plans, rental of province lands, etc.

"During the course of the previous audit, attention was called to the fact that invoices amounting to more than five thousand dollars had not been rendered to owners of ships using the facilities of the State piers at New Bedford and Cape Cod Canal.

"Invoices have been rendered on the delinquent charges which were noted at that time, however, even though this condition was brought to the attention of the officials in the Division during the previous audit, the billing is still not current.

"During the period covered by the current examination, thirty charges, representing the use of facilities at State piers have been allowed to remain unbilled. Charges for use and occupancy of province lands, and the use of facilities at the Plymouth Dock have also remained unbilled.

"Chapter 91 of the Tercentenary Edition of the General Laws provides that the Department of Public Works may issue licenses to persons to build wharfs, piers or other structures on land in tidewater. Section 21 of said chapter authorized the department to assess a charge not exceeding 37½¢ per cubic foot of tidewater displaced. Section 15 of said chapter 91 provides that the license shall expire in five years from its date.

"In auditing the records of licenses issued for tidewater displacement, it was found that bills had never been rendered on thirty-four charges for tidewater displacement. These charges amounted to over nine thousand dollars and dated back as far as January 1947.

"A few examples of these unbilled charges are as follows:

| LICENSE NUMBER | RECOMMENDED CHARGE | DATE RECEIVED BY DIVISION OF WATERWAYS |
|-------------------|--------------------|---|
| 2444 | \$7,873.30 | March 10, 1947 |
| 2620 | 233.63 | March 26, 1947 |
| 2787 | 149.00 | October 20, 1947 |
| 2909 | 186.60 | July 15, 1947 |

"The Waterways engineers inspected the finished work authorized under the terms of these licenses issued for tidewater displacement. These engineers then computed and recommended the authorized charges as required by Section 21 of Chapter 91, and in turn these charges were promptly approved by the Commissioner of Public Works. Copies of these charges were sent by the engineers to the Director of the Waterways Division for billing purposes.

"The Financial Section of the Division, however, neglected to bill these charges.

"This entire situation of delinquent billing certainly denotes inefficient administration in this section of the Waterways Division. Furthermore, delinquent billing subjects the Commonwealth and the department to criticism.

"It is recommended that the Financial Division immediately install an efficient system for promptly billing all accounts, so that closer attention may be paid to collecting all revenues."

Billings were still not current as of March 15, 1949. During the period covered by the audit there were fifty-eight charges which were incurred by use of

the facilities of State piers, and which had not been billed as of March 15, 1949.

The charges for tidewater displacement unbilled which amounted to over \$9,000.00 February 2, 1948 had been reduced to about \$600.00 of unbilled charges as of March 15, 1949. All other charges, including four instances totaling \$8,441.93, appearing in the previous report were billed and collected during the period covered by the audit.

Accounts Receivable: In aging the accounts receivable it was noted that twenty-seven accounts, amounting to more than \$2,300.00 and dating back to 1943 and prior years, were carried as active accounts receivable. Of this total, one account of \$1,185.00 was listed as being with the Attorney General.

It was noted that an open account amounting to \$635.50, and declared void October 27, 1944, was still carried among the active accounts receivable of the Division. This account was commented upon in the previous audit report, and should have been canceled and removed from the accounts receivable records.

During previous examinations of the Waterways Division records, suggestions were continuously made that all accounts over one year old be turned over to the Attorney General for collection.

The Comptroller's Bureau Accounting Manual requires that all overdue accounts be referred to the Attorney General for collection, and also be set up in a separate suspense accounts receivable account.

The conditions found when aging the accounts receivable during the current examination reflected the fact that the Financial Section of the Division of Waterways is not accepting the constructive accounting suggestion made during the previous audit reports regarding suspense accounts receivable, and further indicates violations of the standard operating procedure set up by the Comptroller's Bureau for the proper functioning of these accounts.

It is, therefore, again recommended that all accounts over one year old be transferred to a suspense accounts receivable account and placed with the Attorney General for collection. It is further recommended that closer attention be given to the collection procedures so that delinquent accounts may be reduced to a minimum.

Certified Copying Charges: A charge of one dollar is made for a certified copy of license or permits. Although each permit and license is recorded in a register when issued to the licensee or permittee, no register is kept to show that the certified copies are issued.

It is again recommended that a register be set up to record the issuance of all certified copies, or that a suitable notation be made in the original register to show that a certified copy has been issued.

Employees' Deductions—Bond Fund: The previous audit report carried the following comment:

"In reconciling the weekly pay roll bond fund account, it was found that an unpaid check was being held by the maker, the Division of Waterways.

"This check, dated September 1947, in the amount of five dollars and twenty-five cents (\$5.25) represented bond deductions from a deceased employee's earnings.

"It was understood that this deceased employee designated a beneficiary for the bonds.

"It is recommended that the Financial Section of the Division make an effort to locate and pay to the beneficiary the withheld bond deductions."

The beneficiary was located and \$5.25 which appeared in the account on February 2, 1948 was paid April 26, 1948.

Waterways—Old Advance Unpaid: The previous audit report contained the following comment:

"A verification notice was sent to a former employee of the Waterways Division, requesting confirmation of an advance to his account in

the amount of forty-five dollars (\$45.00). This notice was returned by the Post Office marked 'not here'.

"It was understood from the Financial Section that this employee was an inmate of a state correctional institution on February 21, 1947, however, his whereabouts is unknown at the present time.

"The Financial Section is holding two expense checks of the Commonwealth, payable to this former employee, amounting to twenty-eight dollars and eighty cents (\$28.80) and dated July 24, 1946.

"These checks are approximately two years old and should not have been held this length of time. An effort should have been made to have the payee endorse these checks payable to the order of the Commonwealth, so that this amount might have been applied as a credit against the advance fund for the Division."

The two checks mentioned in the above comment were returned to the State Treasurer on January 4, 1949. The balance of the old unpaid advance is now \$16.20.

Under the heading of "Old Advances" there were three other balances still unsettled as of March 15, 1949. The three amounts are as follows:

| | | | |
|--------|----------|--------------|----------------|
| Case A | \$ 16.30 | Last Payment | Sept. 17, 1945 |
| Case B | 114.05 | Last Payment | Sept. 20, 1946 |
| Case C | 95.95 | Last Payment | Dec. 22, 1947 |

Case "A" is an executive of the department and there is no apparent reason why this balance should not be cleared.

Case "B" is still in the employ of the department and this balance should have been cleared up during the 1947 fiscal year.

Case "C" is deceased and the account has been settled since March 15, 1949.

Waterways Division—Accounts Receivable Verification Notices: As of date of audit the balance of the outstanding accounts receivable amounted to \$17,-857.54. Verification notices were sent to about twenty per cent of these accounts.

The response to these verification notices was not satisfactory. Some notices were returned by the Post Office Department marked "address unknown", "deceased", etc. Others were returned claiming to have no record of the charge and others with such comments as "account in bankruptcy, refer to our letter in your files". It is suggested that more attention be paid to accounts receivable in the future, and to collection of accounts within a reasonable time. It is essential that a complete and correct record should be kept of all debtors' addresses, and the amounts due from them, and the records should be kept in a current manner.

Waterways—Sale of Land and Property: Previous audit reports included a comment that a parcel of land on Nashua Street, Boston, was sold on May 20, 1941 for \$100,000.00. The terms of the agreement called for a down payment of \$6,500.00, the balance to be paid in eleven equal payments of \$8,500.00 payable with interest at 4%. The down payment of \$6,500.00 was made but no further payments of principal or interest have been recorded. A supplemental agreement was reached by both parties on November 16, 1943, which was approved by the Council on December 27, 1944. This supplemental agreement states in part:

"... that the further payment on the purchase price of said premises as required by the terms of said agreement of May 20, 1941 shall be suspended for the duration of the unlimited National Emergency as declared by the President of the United States on May 27, 1941 ..."

At the Commission meeting on April 20, 1948 the matter of the agreement between the Department and the purchaser for the sale of a certain parcel of land on the northerly side of Nashua Street, Boston, Massachusetts, dated May 20, 1941 was brought up, and it was voted to refer this matter to the Director of the Division of Waterways for a report.

The report was presented at a meeting of the Commission on November 23, 1948 and is as follows:

"... on May 20, 1941 the Department agreed to sell a part of the Nashua Street parking space ————— for \$100,000; \$6,500 to be paid on delivery of the agreement and the balance in eleven equal annual installments starting with May 1, 1942, plus interest at 4 per cent. He states that on November 16, 1943 there was a supplementary agreement which provided that further payments beyond the \$6,500 down payment were suspended for the 'duration of the unlimited National Emergency as declared by the President of the United States on May 27, 1941', and the 1941 agreement was suspended until that date, but provided 'that if it appears to the Department that the necessary materials for the construction of the building are available said Department shall give notice to said Daniel F. McGrath that on a date named in said notice said agreement of May 20, 1941 shall be in effect.'"

"Voted, That ————— be notified that the agreement of May 20, 1941, shall be in effect on January 2, 1949 under the above clause of the supplementary agreement of November 16, 1943, as confirmed in the supplementary agreement of October 11, 1944, subject to the readjustment of the area to be sold in the agreements of October 11, 1944 and June 5, 1945."

The following is a copy of a letter to the purchaser from the Secretary of the Commission:

November 23, 1948

Dear Sir:

This is to inform you that the agreement of May 20, 1941 between you and this Department, on the matter of the purchase of a portion of the Nashua Street parking space, shall be in effect on January 2, 1949, under the clause of the supplementary agreement of November 16, 1943 —"that if it appears to the Department that the necessary materials for the construction of the building are available said Department shall give notice to said ————— that on date named in said notice said agreement of May 20, 1941 shall be in effect . . ."—as confirmed in the supplementary agreement of October 11, 1944, subject to the readjustment of the area to be sold in the agreements of October 11, 1944 and June 5, 1945. In the opinion of this Department materials for the construction of the building are now available.

Yours truly,

s/ MARY E. McMORROW
Secretary

The original agreement called for the payment of the balance of \$93,500.00 in eleven equal annual payments starting May 1, 1942, with interest at 4 per cent on the unpaid balance.

The agreement has become active, and it would appear that the next due date will be May 1, 1949, with payments of both principal and interest due at that time.

Lease Between Commonwealth of Massachusetts and the Fall River Line Pier, Inc.: By authority of Chapter 665 of the Acts of 1945 and Chapter 308 of the Acts of 1947 a lease was made with a term of twenty years from May 17, 1948, for a total rent of \$1,000,000.00 divided yearly as follows:

| | | |
|--------------------|------------------------------------|-----------------------|
| \$22,000.00 yearly | First 2 years | \$ 44,000.00 |
| 24,000.00 | 3rd year | 24,000.00 |
| 30,000.00 | 4th year | 30,000.00 |
| 38,000.00 | 5th year | 38,000.00 |
| 46,000.00 | 6th year | 46,000.00 |
| 51,000.00 | 7th and 8th year | 102,000.00 |
| 50,000.00 | 9th to 14th year | 300,000.00 |
| 55,000.00 | 15th year | 55,000.00 |
| 63,000.00 | 16th year | 63,000.00 |
| 70,000.00 | 17th year | 70,000.00 |
| 76,000.00 | 18th, 19th and 20th year | 228,000.00 |
| Total | | <u>\$1,000,000.00</u> |

Said yearly rental shall be paid in equal quarterly payments as follows: to wit, the first quarterly payment to be made three (3) months following the day and year written above and subsequent payments thereafter on corresponding date of every third month in each and every year during said term.

Minutes of Commission Meeting Held April 6, 1948 Relative to Rejection of Only Proposal Received on Contracts:

"An engineering report dated April 6 was presented at a Commission Meeting held April 6, 1948 relative to the only proposal received March 23 on contract No. 1031 for dredging along the Winthrop Shore, in the sum of \$59,800 from the American Hydraulic Dredging Co. The report recommends that this proposal be rejected due to the excessive price bid and to the proposed method of doing the work.

"Voted, to reject the proposal of the only bidder, the American Hydraulic Dredging Co., and to readvertise for bids on this work."

Contracts—Overrun: Of the twenty-six contracts completed during the audit period, February 2, 1948 to March 15, 1949, there were twenty contracts which were not completed on the date specified in the contract. No extension of time was granted nor were liquidated damages waived.

REGISTRY OF MOTOR VEHICLES REPORT No. 2531

Refunds of Fees Account of Applications for Licenses to Operate Motor Vehicles: Previous audit reports stated:

"At present applicants file applications, together with the fee of \$4.00, with the examiner at the examination point. The \$4.00 covers the examination fee of \$2.00 and the license fee of \$2.00. Should the applicant pass the examination, he receives a temporary license and a permanent license is mailed to him later. If the applicant fails in his examination, the license fee of \$2.00 is refunded to him in cash by the examiner. The same arrangement applies in re-examinations, except that the re-examination fee is \$1.00, so that the applicant deposits \$3.00 instead of \$4.00. It is again recommended that the Comptroller's Bureau review the routine of handling examination fees and provide some method that will eliminate the present practice of refunds being made by the examiners."

Since no action has been taken, the recommendation is again repeated.

Reconciliation of Earnings and Deposits—Branch Offices: The section of Schedule No. V showing the reconciliation of overages and shortages between earnings and deposits as per the general cash book in the cashier's office, Boston, indicates total overages of \$25.15 and total shortages of \$60.25 on June 30, 1948.

Applications Missing from the Files: A previous audit recommendation concerning registration applications missing from the files has not been fully complied with. It is again suggested that printed forms be filed in place of applications removed from the files indicating their location.

Cashier's Office—Over and Short Account: On October 26, 1948 the over and short account in the cashier's office had a net overage balance of \$683.69. This overage is not included in the \$2,000.00 advance fund which does include cash shortages totaling \$1,401.99. The shortages were made up from the advance money in order to facilitate the handling of income cash records. These overages and shortages have accumulated over several years.

It is again suggested that the overage balance in the over and short account be transferred to the \$2,000.00 advance fund, so that only a net shortage balance will be shown in this account.

Cash Overages and Shortages: It is believed that an appropriation should be obtained by the Registrar of Motor Vehicles to clear the loss indicated by the net shortage as shown by the records. The over and short totals are the result of several years of handling fees in the Branches and in the Boston office,

and the cashing of pay roll checks and pay roll advance slips in the office of the cashier.

The last previous time that relief was obtained for clearance of items of this type was in 1939.

Temporary Branches: Temporary branches in Taunton and in North Adams were in operation during the busy registration period of 1947-1948. A third temporary branch was opened at Southbridge for the first time and was operated during the same period.

Duplicate Plates: In order to simplify the verification of plates duplicated for no charge, it is suggested that a separate record be kept of such plates.

Duplicate Certificates and Duplicate Licenses: The present system of recording these two income items, including the filing of applications, makes it hardly possible to verify the income. It is suggested that the Comptroller be contacted relative to improving the present system.

Applications on File—"No Fee": It is suggested that all applications upon which a notation "No Fee" has been entered be initialed by the person granting same. It is also recommended that the reason for the non-payment of fee be entered on the application, or attached thereto.

Advance Money—Chief Accountant: The last three audit reports contained the following:

"It is recommended that the Comptroller's Bureau be contacted relative to the installation of a cash book to record receipts and disbursements of advance money in the office of the Chief Accountant."

This suggestion is repeated as no change has been made.

Cashier's Office—Rebates and Refunds Advance Fund: It is suggested that the Comptroller's Bureau should be contacted relative to the installation of a cash book in which to record the receipts and disbursements of this Fund.

STATE AIRPORT MANAGEMENT BOARD GENERAL REPORT NO. 2583

Logan Airport, State Airport Management Board: Chapter 637 of the Acts of 1948 created the State Airport Management Board with general supervisory powers over all State-owned airports, including the adoption and carrying out of sound business management policies in the management and operation of such airports. Under this act, charges and rentals for the use and occupancy of airport-areas and facilities are subject to the approval of the Board. Also, all contracts and obligations of the Massachusetts Aeronautics Commission pertaining to the acquisition, construction, maintenance, and operation of Hanscom Field, and all contracts and obligations of the Department of Public Works pertaining to the maintenance and operation of Logan Airport are now to be performed by the Commissioner of Airport Management.

Logan Airport, State Aeronautics Fund: Chapter 607 of the Acts of 1946 amended Chapter 90 of the Tercentenary Edition of the General Laws by inserting Section 39C, provides as follows:

"Section 39C. State Aeronautics Fund; Expenditure of Funds.—There is hereby created a fund to be known as the "State Aeronautics Fund". All moneys received on behalf of the commonwealth under sections thirty-five to fifty-two, inclusive, and from the operation, lease or sale of airports or other aeronautical facilities owned by the commonwealth, other than moneys so received on account of the General Edward Lawrence Logan Airport, and all moneys appropriated for the purpose of such fund, shall be paid into the state treasury and credited to said fund. After appropriation, the moneys in said fund, and moneys received from the federal government for airport purposes, may be expended by the commission, or by the state treasurer at the request of the commission under section thirty-nine F, for any of the purposes authorized by said section."

In accordance with the terms of this section, income from Hanscom Field has been set up in the State Aeronautics Fund and as of April 30, 1949, the total of this fund amounted to \$88,841.57, however, no appropriations have been made from the fund.

It is recommended that Section 39C of Chapter 90 be amended to provide that income accruing from operations at Logan Airport shall also be set up in the State Aeronautics Fund.

Logan Airport, Northeast Airlines Inc.: With reference to this corporation the previous audit report stated in part:

"Previous audit reports have treated in some detail the failure of this company to pay scheduled landing fees from December 1, 1941, when the Logan Airport was returned by the City of Boston to the Department of Public Works. This matter was referred to the Attorney General on July 11, 1945 and February 10, 1947. The total amount of the bill from December 1, 1941 through June 30, 1946 was \$31,375.00, which amount is shown in the Accounts Receivable Ledger as being with the Attorney General. To the present date this matter has not been adjudicated."

On December 29, 1948 a check in favor of the Commonwealth in the amount of \$26,500.00 was received from Northeast Airlines Incorporated through the office of the Attorney General in full settlement of the above-mentioned \$31,375.00.

Logan Airport, Ground Transportation: With reference to this subject the previous audit report stated:

"Certain transportation companies are now using airport driveways to take airline passengers to and from the airport. This source of revenue has proven to be very profitable to these private companies, as evidenced by the large number of taxicabs and busses that appear here daily. However, none of this income has ever been paid to the Commonwealth for the privilege of obtaining this business on airport property."

"It is recommended that all transportation companies using the airport grounds for passenger hire be assessed fixed or scheduled fees in order that the Commonwealth derive its proper share of receipts from this source."

At a meeting of the Board on December 9, 1948, the subject of ground transportation was discussed.

An excerpt from the minutes dealing with this subject follows:

"The Commissioner then discussed the subject of ground transportation. In conformance with a request of the Board made at the November 24, 1948 meeting, the Commissioner submitted a statement . . . covering the current ground transportation situation and stated that in his opinion, the best solution to the problem would be to establish a charge of 25¢ per taxicab for each cab entering the cab rank at the airport for the purpose of picking up a fare or fares. The Commissioner further stated that, in his opinion, all other means of transportation should pay 10% of the gross business to and from Logan Airport. In view of the fact there is to be a hearing on a petition on the part of a limousine company before the State Department of Public Utilities on December 23, 1948, the Commissioner suggested that action on this matter should temporarily be postponed."

At another meeting of the Board on January 6, 1949, a vote was noted as follows:

"The Commissioner was further instructed to further study and report on a charge for taxicab traffic originating at Logan Airport and on regulations for the use of Airport property by limousine and taxicabs."

On January 27, 1949 an agreement was entered into between the Commonwealth, acting through the Commissioner and Board, and the Airways Trans-

portation Company, Incorporated, to provide a limousine service between the Logan Airport and designated points in the City of Boston. The agreement was for a period of one year commencing on that date.

Under the terms of the agreement, the Airways Transportation pays to the Commonwealth 10% of its gross revenue received from passengers entering its limousines on the Airport and from passengers discharged on the Airport. At the conclusion of each month of operation, Airways Transportation supplies the Airport with a statement of all business done, signed by an officer of the corporation and notarized. The Commissioner of Airport Management, or his agents, have the right to inspect, examine and audit all books of accounts used in the accounting system of Airways Transportation.

The matter of ground transportation was discussed again at a meeting of the Board on February 4, 1949, and the following vote was noted:

"There followed a discussion of the methods of adopting charges and fees for taxicabs for the privilege of discharging and picking up passengers at Logan. Upon motion duly made and seconded, it was unanimously

VOTED: That the question of taxicab fees and charges be tabled pending further study by the Commissioner."

There is no further record of discussions of taxi fees and on date of audit no charges for this privilege were being made.

The Metropolitan Transit Authority currently maintains bus service to and from the Airport, connecting with its network, however, while the Metropolitan Transit Authority officials admit the right of the Board to charge for this privilege they point out that any such charges would only add to the Metropolitan Transit Authority deficit now existing.

Logan Airport, National Guard Buildings: The previous audit report stated:

"The National Guard does not pay any revenue to the Commonwealth for land occupied by three hangars. However, space in the National Guard buildings has been loaned to the Airport Management who in turn rents this space to three international operating airlines. This rental brings in about \$4,000.00 annually to the Commonwealth.

"An agreement between the Massachusetts Public Works Department and the National Guard was effected on March 25, 1948 to be retroactive to July 1, 1947 providing for a rental of \$8,000.00 per year to be paid by the National Guard for maintenance and use of the area now occupied.

"Three international companies now located in the National Guard building have no leases and presumably could be evicted therefrom. It is therefore recommended that space be found for these three companies in the terminal building. This could be done by reducing the excess space now held by two other airlines in that building."

The three international operating airlines who formerly rented space in the National Guard building have now transferred their activities to the Ames hangar.

While the net effect of payments by the National Guard to the Airport Management Board amount to simply a transfer of public funds between two publicly supported agencies, such payments should be continued and billings have been made to the National Guard at the rate of \$8,000.00 per annum. A payment of \$5,499.99 was made on this account on June 16, 1948. The balance owed on date of audit was \$9,166.67.

Logan Airport, United Airlines Temporary Office Building: The previous audit report stated:

"Following the issuance of a building order in September 1946 the United Airlines erected a building covering 10,680 sq. ft. of land and occupied almost 12,000 more sq. ft. for other uses of its own. No lease was ever negotiated nor was any income ever received by the Commonwealth for the use of this land area. Based on the rate of 6½¢ per sq.

ft., the actual rate charged to other airlines for hangar space, United Airlines should be paying about \$1,500.00 per year rental.

"It is recommended that a lease be negotiated for the use of this land immediately and that United Airlines be billed retroactively for this occupied area, and, if necessary, appropriate action taken to collect for past occupancy."

A lease was entered into between the Commonwealth and the United Airlines Incorporated on October 1, 1948. Under the terms of this lease, United Airlines Incorporated agreed to pay a rental for this area of \$1,357.44 per year, payable in advance in equal monthly installments of \$113.12, beginning October 1, 1948.

In addition to the above, under the lease United Airlines Incorporated agreed to pay \$2,714.88 as payment in full for the use of the area for the period from October 1, 1946 to September 30, 1948.

It was noted that all payments as enumerated in the aforementioned lease have been made by the United Airlines Incorporated, and the account is now on a current basis.

Logan Airport, Sale of Aviation Fuel as a Source of Income: The previous audit report stated:

"A large and no doubt profitable business has been conducted for years on public property without the payment of any revenue to the Commonwealth for the privilege of conducting this business, namely, the selling of aviation fuels and lubricants.

"Gross aviation fuel sales is believed to be in excess of 5,780,000 gallons for the year 1947. These sales are made by two fixed base operators and a scheduled airline. The fixed base operators sell gas and oil to itinerant private flights and some scheduled airlines not having the facilities to service themselves. The scheduled airline selling lubricants services an international airline. The fixed base operators and the scheduled airline company are using public property for the storing and selling of aviation fuel and lubricants. However, they do not pay one cent of revenue to the Commonwealth for this privilege. It is recommended that these companies having the privilege of using state facilities for conducting a gainful fuel and lubricant business pay to the Commonwealth a percentage of their gross receipts.

"At the present time, the Massachusetts gasoline tax is three cents per gallon; however, this tax is rebated on aviation fuel since the statute covering the gasoline tax does not apply to fuels consumed elsewhere than on the highways of Massachusetts.

"Information obtained from the Excise Tax Division of the Department of Corporations and Taxation indicates that more than \$173,000.00 paid in aviation fuel gasoline taxes was rebated during the calendar year 1947. Practically all of this money was refunded to scheduled airline companies operating out of Logan Airport.

"With the enormous strides made in air travel and the consequent increase of aviation fuel consumption, it is felt that the burden of amortizing the cost of the airfield should be borne in part by the airline companies through the payment of a tax upon the fuel purchased.

"If the tax money were retained under proper legislation it would help reduce the bonded debt of the Commonwealth which was created to finance the construction of the airport."

Section 50F of Chapter 90 of the Tercentenary Edition of the General Laws, as inserted by Section 3 of Chapter 637 of the Acts of 1948, states in part as follows:

... Subject to the provisions of this section, the commissioner shall establish for each state-owned airport a schedule of fees for use of landing areas by aircraft for each take-off, based on the weight and other field and flight operations requirements for each individual aircraft or class of aircraft, and schedules of aircraft parking or tie-down fees, and

other charges including those for the sale or distribution of gasoline and other aviation fuels, oil, and other articles and supplies on lands acquired or held for state airport purposes, and may establish schedules of other fees, charges, and rentals for the use and occupancy of airport areas or facilities, as he may deem necessary."

Despite the unmistakably mandatory provisions of this section the following excerpts from the Board meetings held during the period from August 5, 1948 to April 8, 1949 indicate that the Board has permitted extraneous matters to delay application of fees ordered by the General Court.

August 5, 1948

"The next matter of business was the question of gallonage fees at Logan Airport. The Commissioner gave a report of progress in which he stated that in a recent letter to the petroleum companies he had postponed indefinitely the effective date for the fees to go into effect. This had previously been set by the Commissioner of Public Works for August 8, 1948."

December 9, 1948

"The Commissioner then raised the question of charges on the sale or distribution of petroleum. In view of the fact that the discussions with the representative of the airlines also cover possible charges for the sale and distribution of gasoline, no action was taken by the Board at this meeting."

January 19, 1949

"The Board then again discussed proposals for charges on the sale or distribution of gasoline and other aviation fuels including oil and the matter was further postponed to await a report from the Airline Committee."

March 16, 1949

"There followed a discussion of the handling of gasoline and oil at Logan Airport and of lease provisions relating thereto. It was generally agreed that the matter be placed on the agenda for the next meeting along with consideration of the lease on the Eastern Hangar."

April 8, 1949

"Mr. McLaughlin urged that the problem of the Eastern Airlines hangar lease be resolved. He stated that while he differed with the legal counsel as to the probable effect of the proposed provisions, he would vote upon recommendation of the Commissioner. Mr. McLaughlin further stated that he felt that part of the Eastern Hangar problem was the legislative mandate relative to charges on gas and oil and that the Commissioner should prepare recommendations on the gasoline and oil charges. Upon further discussion, and upon recommendation of the Commissioner, no action was taken. Upon motion duly made and seconded, it was unanimously

VOTED: That the question of the Eastern Hangar be placed on the table.

After discussion and upon motion duly made and seconded, it was unanimously

VOTED: That the Commissioner prepare as soon as possible a schedule of charges for the sale or distribution of petroleum products in accordance with the provisions of Section 50F of Chapter 90 of the General Laws."

Gross aviation fuel sales are believed to be in excess of 8,700,000 gallons for the year 1948 and information obtained from the Excise Tax Division of the Department of Corporations and Taxation indicates that more than \$261,000.00 paid in aviation fuel gasoline taxes was rebated during the calendar year 1948.

It is recommended that the Commissioner immediately establish fees for this source of revenue as required by statute.

Logan Airport, Eastern Airlines Temporary Hangar: The previous audit report stated:

"The Eastern Airlines Temporary Hangar Building was erected in 1945 under provisions of permit #10 issued to Eastern Airlines. The only provisions of this permit regulated the location and height of the building.

"The Public Works Board proceedings of January 31, 1947 established a monthly rental of \$636.19 amounting to \$7,634.38 per year. However, no lease has been negotiated due to the fact that an agreement has not been reached between the Company and Commonwealth.

"Despite the fact that monthly billings have been rendered dating back as far as April 1, 1946, no rent has been paid for the use of this area. To April 30, 1947 the records of the Commonwealth indicate these delinquent charges to be in excess of \$15,892.72.

"Although Eastern Airlines has refused to negotiate a lease, it nevertheless sublets space in the hangar building and provides services to other airlines. Not one cent of the income derived from these sources has ever been paid over to the Commonwealth.

"An inspection of this hangar area and building disclosed the fact that a great deal of this space is used for stockrooms, battery shop, radio shop, office space, and crew sleeping quarters.

"It is recommended that immediate action be taken by the Commonwealth to collect all rent due for the use of this area, and also that a short term lease be negotiated with specific stipulations contained therein regarding the matter of subleases. In the event that the foregoing cannot be accomplished, it is then suggested that a lease be negotiated between the Commonwealth and some new airline company."

An analysis of the accounts receivable on April 25, 1949 showed \$19,073.67 due from Eastern representing billings through September 1948, at which time further billing has been discontinued on instructions from the former airport business manager. Had charges been continued, the balance as of the audit date would have been \$23,527.00.

This subject has been discussed at length at various meetings of the Board since August 5, 1948 and finally the meeting of the Board held on April 8, 1949 voted that:

"... the question of the Eastern Hangar lease be placed on the table."

Here again the Board has delayed in complying with a mandate of the General Court.

Logan Airport, Rental of Space—Eastern Airlines Temporary Hangar: Despite the fact that Eastern Airlines have paid no rentals for the area upon which they have erected a temporary hangar, it was noted that the Vice-President of that Company, in a letter dated November 26, 1948, refused an offer by the Commonwealth of \$125.00 per month for space in that hangar for storage of State-owned snow removal equipment and had requested a payment of \$525.00 per month for which amount the State was billed on December 17, 1948.

It would seem proper that in establishing the rate which Eastern shall pay, the Commonwealth for the area now occupied by this hangar, the Commonwealth should take into consideration this high valuation which Eastern itself places upon the property.

Logan Airport, Observation Deck: The previous audit report stated:

"The observation deck located on the roof of the terminal building has yielded a substantial revenue to the Commonwealth. The admission charge to this deck is ten cents, two cents of which is Federal tax. At present there is only one entrance to this deck which is equipped with a turnstile. There is another unguarded entrance through which sight-seers have gained access to the observation deck without paying the customary admission charge.

"It is recommended that this entrance be also equipped with a turnstile and designated as an admission gate to the deck."

A new turnstile has been installed as recommended in the previous audit report, *Logan Airport, Contract for Services as Assistant to the Commissioner of Public Works—Logan Airport Lease and Contract Preparation*: The previous audit report stated:

"On January 7, 1948 a contract was awarded to an individual to act as an assistant to the Commissioner of Public Works in connection with

the preparation and execution of certain contracts and leases at the General Edward Lawrence Logan Airport.

"A fee of \$500.00 per month was authorized. The contract is subject to thirty days cancellation upon written notice from the Department."

This individual is now employed by the Board on a full-time basis as counsel at the rate of \$500.00 per month.

In addition, another individual is presently employed on the basis of a month-to-month agreement to perform consultant services to assist the Commissioner in the conduct of negotiations for leases and rentals for use and occupancy of property and buildings on State-owned airports at the rate of \$600.00 per month.

Logan Airport, Ramp and Field Parking Area: The previous audit report stated:

"It was noted that various airline companies use ramp and field areas for parking planes. There is no record that any fees have ever been established or paid for this use. One airline company has parked two large transport planes while overhauling them for resale. During the audit period Maine Air Transport had a grounded plane on the field; Wiggins Airways used the flying field for charter, cargo and passenger flights and the National Guard uses the field to park about thirty planes. Yet in all of these cases no revenue was ever received by the State."

Pursuant to the provisions of Chapter 637 of the Acts of 1948, a schedule of charges has been set up for use of the ramp and field areas for parking planes. Under the schedule, no charge is made for loading of aircraft for the first forty-five minutes. For each additional thirty minutes, or fraction thereof, a fee of \$2.50 is charged.

With regard to parking planes, no charge is made for the first twelve hours. As of the date of this audit no charges had accrued from this source.

Logan Airport, Landing Fees: The previous audit report stated:

"Under present landing fees it is possible for scheduled airlines to increase business substantially yet pay less for landing privileges. The present regulations established at the airport for landing fees are based on the number of flights published by airlines each month as their schedule of operations. Under this system the landing fee charges diminish in proportion to the increase in flights scheduled.

"Landing fee charges with regard to non-scheduled or itinerant flights are established at the rate of 30¢ per landing per 1,000 pounds of weight. Aircraft not in excess of 7,500 pounds and not transporting passengers or cargo for hire are exempted from landing fees.

"The term 'landing fee' is ambiguous and would be better understood if it were called 'flight tariff' since the charge is assessed for a flight made from the field.

"The revenue derived from this source repays to some extent the maintenance and operating cost of the landing field area, which is provided to the airlines by the Commonwealth. It is necessary, therefore, that fees be established which are sufficiently high to reimburse the Commonwealth for this outlay.

"From the beginning of the current fiscal year to date of audit expenditures for maintenance and operation of field and safety activities amounted to more than \$186,000.00. The total billings for landing fees totaled \$80,500.00. The difference of \$105,500.00 in these figures clearly reflect the fact that this source of revenue does not even offset the main-

tenance costs, and is adequate reason to take steps toward revising the present flight tariff charges."

Under the provisions of Chapter 637 of the Acts of 1948 a schedule of charges has been established for each aircraft at the airport as follows:

| | |
|--|--------|
| A. For each aircraft not exceeding 5,000 pounds weight | \$1.00 |
| B. For each aircraft exceeding 5,000 pounds but not exceeding 10,000 pounds weight | 1.75 |
| C. For each aircraft exceeding 10,000 pounds but not exceeding 15,000 pounds weight | 2.50 |
| D. For each aircraft exceeding 15,000 pounds but not exceeding 20,000 pounds weight | 3.25 |
| E. For each aircraft exceeding 20,000 pounds but not exceeding 25,000 pounds weight | 3.75 |
| F. For each aircraft exceeding 25,000 pounds weight: \$4.00 plus \$0.08 per 1,000 pounds or fraction thereof in excess of 500 pounds, in excess of 25,000 pounds weight. | |

Take-offs for training flights or test flights are exempt from the above charges. Charges are based upon reports submitted by the airlines, giving a list of departures and types of ships which left the field.

The ramp agent does not keep a continuous record of these flights, but at various times he makes a test check of the flights and his record is compared to that published by the airlines.

The total income from flight operations from July 1, 1948 to April 30, 1949 was \$108,117.81. The total of all field maintenance expense for the same period was \$195,731.57. The prior audit commented that this source of revenue had not offset maintenance costs. The same situation prevails as of the date of the current audit, although the variance between the revenue received and the maintenance costs has been decreased.

Logan Airport, Concessions: The previous audit report stated:

"A very important income producing factor at the airport is the operation of concessions. It is felt that the Commonwealth does not at present share equitably in the profits made by the proprietors of these concessions.

"A flower shop has expanded into a gift shop with no increase in its rental and other concessionaires have undertaken additional business not contemplated by their permits, such as preparing meals to be taken aloft.

"Although most of the space has been rented at a minimum rental or percentage of gross receipts, whichever is greater, it is felt that increases should be obtained in many instances especially where increased business has been undertaken by the concessionaires. A permit granted to one advertising company should be revoked since no revenue has been produced from this source.

"Vending machines of various types have been installed in most of the buildings at the airport. The income from these machines, with the exception of those installed in buildings under direct control of the airport management, was collected by the lessees and concessionaires up to very recently. However, the airport management is now collecting a percentage from all machines, although the issue is still in doubt as to whether this can be done with regard to vending machines on rented premises. Some machines have been removed entirely because of this uncertainty.

"It is recommended that in all future leases and permits specific provisions be inserted to assure the Commonwealth a percentage of all income from vending machines whether located on rented areas or not."

With regard to new permits granted to concessionaires since the last audit, it was noted that rentals were increased, and in the case of the flower shop, expanded activities were allowed, however, several old permits still have a few more months to run.

An examination of the new leases granted since the prior audit discloses that specific provisions have been inserted, stipulating that no vending machines are to be installed or operated without first obtaining permission from the lessor. It is also stipulated that all income from such machines is to go to the lessor.

A physical inspection of the premises has disclosed two vending machines are located on premises leased to Northeast Airlines from which the income is not turned over to the lessor.

Logan Airport, Airport—General: The previous audit report stated:

"The Commonwealth of Massachusetts has authorized five bond issues totaling \$39,750,000.00 to be used for the expansions and improvement of Logan Airport. At the close of the last fiscal year the Commonwealth had spent \$21,352,913.50 from these bond issues.

"Besides expanding and improving this airport to the extent that it will be one of the largest and finest airfields in the world, the Commonwealth currently provides the following services for the users of the airport:

1. Maintenance of runways, taxi-ways, aprons, parking areas and roadways, including approved CAA marking of runways and taxi-ways.
2. Power for instrument approach system (maintained by CAA).
3. Twenty-four hour field crash and fire protection.
4. Twenty-four hour Air Sea rescue boat protection.
5. Field lighting, rotating beacon, street lighting, obstruction lighting of State buildings, and lighting of obstructions outside of airport property.
6. Snow removal and sanding of runways, taxi-ways, aprons, gate positions, parking areas, walks and road-ways in inclement weather.
7. Twenty-four hour terminal building area for handling plane passengers' baggage.
8. Cleaning and maintenance of drainage and sewage facilities.
9. Twenty-four hour waiting room facilities for passengers.
10. Rest rooms and rest room matron service for women passengers.
11. Twenty-four hour information concerning flights, and other airport information requested by individuals calling airport.
12. Certain airlines using space in Administration building basement for porter's lockers.
13. Cleaning of gate positions, aprons, and public roads.
14. Pickup of burnable rubbish.
15. Parking of aircraft on apron and aircraft parking areas when hangar space not available.
16. Twenty-four hour parking of all ramp equipment on ramp.
17. Twenty-four hour public address system maintained by airport.
18. Twenty-four hour janitor service in public area, rest rooms, etc.
19. Twenty-four hour State Police protection.

"During the first six months of the current fiscal year operation and maintenance services at the airport cost the Commonwealth \$168,591.46. For the same period earnings to the Commonwealth from the user of the airport totaled \$130,998.86.

"The difference in the above figures clearly reflects the fact that income derived from airport users falls far short of meeting the maintenance costs of the airfield, without mentioning the fact that millions of dollars have been and will be spent for the improvement and expansion of the airfield facilities.

"It is recommended that every effort be made by the Commonwealth to obtain an increase in the present revenue and to seek new means to raise additional income."

In addition to the services enumerated in the aforementioned comment, twenty-four hour parking facilities are now provided.

To date of audit the Commonwealth had paid or encumbered a total of \$36,195,826.59 from the various bond issues authorized.

During the first ten months of the current fiscal year, operation and maintenance services at the airport cost the Commonwealth \$315,637.94. For the same period earnings to the Commonwealth from the users of the airport totaled \$291,009.50.

Logan Airport, Airport—City of Boston Leases: The previous audit report stated:

"In 1941 the Commonwealth of Massachusetts took over the leasehold of the Logan Airport from the City of Boston. Since this time some of the original leases have been assigned or transferred by the original lessees to other companies. An examination of these land leases for all hangar buildings indicated that they were not too businesslike. They did not provide specific occupancy or use restrictions nor did they definitely establish rights of the management relating to field operations.

"A physical inspection of the hangars disclosed the following facts:

"Hangars are used in nearly every instance for purposes never intended at the time the original leases were negotiated and the fact that permission was to be obtained before alterations were made or space sublet was disregarded. For example, in the hangar area known as 1-W, these premises are presently occupied by Northeast Airlines under a sublease. However, instead of using this hangar as a hangar the Northeast Airlines uses this building as a test motor shop, a painting and general over-hall shop.

"In regard of the hangar area known as 1-S, the lessee, Intercity Airlines, maintains its executive offices and a sales office for airplane supplies in addition to the space used for hangar purposes.

"Also, Intercity sublets office space to Northeast Airlines. With reference to these two areas, 1-S and 1-W, each area contains 23,100 sq. ft. of land for which an annual rental of \$1,500.00 each is paid to the Commonwealth. It was noted that during this audit period the Northeast Airlines paid this \$1,500.00 rental on each area to the Commonwealth and, in addition, under the terms of the sublease, paid Intercity Airlines \$8,000.00 per year for each hangar plus taxes and all other charges which Intercity was required to pay. In other words, Intercity is exploiting state-owned land to conduct real estate operations for its own benefit.

"During the inspection of the hangar area known as 2-S the following conditions were noted:

"The E. W. Wiggins Airway is the present occupant. This operator uses the hangar as follows: Offices for company use, storage, services and repairs to its own and private planes; sells aeronautical merchandise; solicits and conducts chartered passenger and cargo flights; stores and sells aviation fuels to itinerant and non-scheduled flights. This area, covering \$23,100 sq. ft. of land, yields an annual rental of only \$1,500.00 to the Commonwealth. Portions of the premises are sublet to United Airlines, Pan American Airlines, and a private physician authorized to examine for Civil Aeronautics Administration. The space sublet to United Airlines is used as a commissary to prepare meals to go aloft. Pan American maintains a small office and shop space. The combined income to Wiggins Company from these subleases far exceeds the amount of rent paid to the State for this area. For example, the monthly income to Wiggins is \$640.75. Monthly income to the State for this area is \$125.00 per month.

"The lessee of hangar area 3-S is the Ames Corporation. This company sublet the premises to the Northeast Airlines which in turn sublet, without authority, part of an area to Trans World Airways, Northeast uses the hangar for instrument repair, stockroom and freight, and also for general maintenance work on Northeast planes. TWA maintains a carpenter shop and has office space here. Obviously this hangar is being used for purposes other than storage of airplanes. This area, like the aforementioned areas, contains 23,100 sq. ft. at a rental of \$1,500.00 per year.

"Hangar area 4-S is occupied at present by American Airlines. This company uses the space partially for freight and for a machine and bat-

tery room. There are three offices on the second floor used in connection with air freight. The area consists of 58,080 sq. ft. at a yearly rental of \$3,771.43.

"Upon the termination of the aforementioned lease it is recommended that new leases be negotiated with specific provisions regarding subleases and use of the areas. It is further recommended that rentals be increased commensurate with such use. If the provisions are not complied with, then immediate steps should be taken to terminate the tenancies and an effort be made to acquire occupants who will abide by the terms of their leases so that the Commonwealth may obtain a more fair return upon its investment in the airport."

Since the prior audit period, new leases were drawn on October 1, 1948 covering the hangar areas known as 1-S, 2-S, 3-S, and 4-S. An examination of these four leases discloses similar provisions applicable to each as follows:

After stated minimum annual rental, further rates are mentioned based upon a percentage of gross profit or gross receipts on consignment sales, parts, etc., and labor charges on fuel handling, with the exception of Area 4-S. The Lessee agrees to submit to the Lessor by January 1, 1950 a financial statement, signed by a certified public accountant, showing the gross business from all sales, conducted by the Lessee at the airport, for the twelve month period previously mentioned. This statement shall further indicate the gross sales and gross profit on consignment sales, sale of aircraft parts, and sales of aircraft for this period.

The Lessor by the terms of the lease is allowed to examine and audit records and books of account kept by the Lessee.

No vending machines are to be installed or operated without prior permission being obtained from the Lessor, and all income from such machines is to go to the Lessor.

It should also be pointed out that under the new leases, all questions as to ownership of the hangars located on the areas covered by the leases have now been resolved by agreement wherein it is now definitely provided that such hangars belong to the Commonwealth of Massachusetts.

Logan Airport, E. W. Wiggins Airways, Inc.: As of the date of audit, the hangar occupied by this company is used as follows: Offices for company use, storage, services and repairs to its own and private planes; sells aeronautical merchandise; solicits and conducts chartered passenger and cargo flights; stores and sells aviation fuels to itinerant and non-scheduled flights. The total area, known as 2-S, occupied by this company contains approximately 23,100 sq. ft. of land. The monthly income is now \$346.17 as compared with an income of \$640.75 stated in the previous audit report. The term of the lease is from October 1, 1948 to December 31, 1949 and guarantees a minimum rental of \$4,300.00 per year to the Commonwealth.

Logan Airport, Intercity Aviation, Inc.: The hangar occupied by this company upon the area known as 1-S is used for the same general purposes as in the previous case. The lessee, in addition to space occupied, has sublet space to the following:

Massachusetts Aeronautics Commission—5 offices at \$1,500.00 per annum, to be paid to the State Airport Management Board.

Lever Brothers—office at \$25.00 per month.

Northeast Airlines—office at \$55.00 per month.

It is noted that under the terms of the lease, \$1,500.00 is to be deducted from the annual rate for office space occupied by the Massachusetts Aeronautics Commission. To date, no money has been received by the State Airport Management Board from the Massachusetts Aeronautics Commission, although an abatement has been made by the Commission, effective January 1, 1949 in the amount of \$1,500.00 in the rental due from Intercity, Inc. The minimum annual rental charge to Intercity, Inc., is \$1,500.00 per year. The term of the lease is from October 1, 1948 to December 31, 1949.

Logan Airport, Ames Aircraft Corporation: This company leases the area known as 3-S consisting of approximately 53,300 sq. ft. with hangar thereon. This lessee has sublet to Pan-American Airways, who in turn has sublet space to other international airlines. The premises are used for the same general purposes as in the prior cases above. The minimum annual rental charged to Ames Aircraft Corporation is \$5,000.00 per year. The term of the lease is from October 1, 1948 to December 31, 1949.

Logan Airport, American Airlines, Inc.: The company leases approximately 66,000 sq. ft. of land known as Lot 4-S with hangar thereon. The term of the lease is from October 1, 1948 to December 31, 1951. The premises are to be used for the same general purposes as in the leases stated previously. The rental for these premises are based upon a 39-month period as follows:

\$ 942.86 for 3 months ending December 31, 1948;
 10,000.00 for a 12-month period ending December 31, 1949;
 11,500.00 for a 12-month period ending December 31, 1950;
 13,500.00 for a 12-month period ending December 31, 1951.

These premises are occupied entirely by the lessee.

Logan Airport, Northeast Airlines, Inc.: Up to March 31, 1949, this area of approximately 23,100 sq. ft. of land, known as 1-W, was leased together with hangar thereon to Intercity Aviation, Inc., and the lease terminated as of this date. The premises were occupied by Northeast Airlines under a sublease from Intercity Aviation, Inc., and are still so occupied pending negotiations for a new lease to Northeast Airlines. As of the date of audit, the latter company occupies as a tenant-at-sufferance but has not been billed for rent for April, 1949.

The premises are used as an engine overhaul shop, propellor and electrical accessory repair units with outside facilities for testing engines.

Northeast has also leased approximately 85,500 sq. ft. of land on which a hangar has been erected in addition to a four-story office building. Both of these structures are occupied entirely by the lessee. The rental for the land is \$5,000.00 per annum.

Logan Airport, Unrecorded Income Checks on Hand: In connection with balancing the cash on date of audit, it was noted that there were 29 checks whose dates ranged from March 31, 1949 to April 21, 1949, which were not recorded in the cash book. The total of the checks thus noted was \$9,604.43.

In this connection, attention is called to Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws, which reads as follows:

"Except as otherwise provided—all fees or other money received on account of the commonwealth shall be paid daily into the treasury thereof, but if in the opinion of the commission on administration and finance and the state treasurer the interest of the state require, payments may be made weekly in accordance with such rules and regulations as the state treasurer may prescribe."

It is therefore recommended that all money be recorded promptly upon its receipt and deposited in the bank in accordance with the previously mentioned statute.

Logan Airport, Weekly Labor Pay Roll: The basic records used to compile the weekly pay rolls are the daily time clock cards and a summary of these cards on a so-called foreman's weekly report.

The time clock records were tested to the summary, thence to the weekly pay roll. The time clock prints the beginning and ending time for each employee daily. At the end of each week the foreman makes up the weekly summary based upon this record. He submits this report to the Manager's Office. It serves as a basis for entry on the standard pay roll form for payment of the employee. In this connection, instances were noted of overtime appearing on the foreman's weekly report which could not be substantiated on the time clock cards. Other instances were noted where overtime was written in on the time clock record in pencil or ink and not stamped by the time clock itself. Attention is called to the

fact that no provision is made on the weekly summary record for signature by the foreman.

The time clock was located in a public corridor and supposedly was under the supervision and observation of the Assistant to the Airport Manager. However, the location of the ramp agent's office, although in the vicinity of the corridor was in an office opposite this corridor, and it seemed as if the nature of his duties did not allow adequate supervision over the time clock. It was felt that the time clock in order to serve the purpose of which it was intended should be located in a more desirable place. This matter was discussed with the employee in the Manager's Office who makes up the weekly labor pay roll, and it was understood from him that on or about March 21, 1949 a new time clock was installed in the office of the Superintendent of Maintenance, under whose direction the men engaged in this type of employment are working. This arrangement seems to be more satisfactory.

Logan Airport, Old Accounts Receivable: An analysis of the outstanding accounts on date of audit showed numerous items which were several years old.

It is recommended that all accounts over one year old be referred to the Attorney General for disposition.

Logan Airport, Contract for Services as Publicity Agent to the Commissioner: On date of audit an individual was employed for "public information, promotional and advertising activities", at the rate of \$600.00 per month.

Apparently this individual is employed by authority of Chapter 637 of the Acts of 1948, Section 50C, which reads in part as follows:

"... He may, subject to appropriation, incur such other expenses as may be necessary to enable him to exercise and perform the powers and duties conferred or imposed upon him by chapters six and ninety, including the expenses of publicizing and advertising all state-owned airports."

Logan Airport, Parking Meters: Income from parking meters for the period under audit was \$10,475.80. It was impossible to check the receipts from this source during the audit period, however, during the progress of the audit "counters" were installed on the parking meters and a daily control sheet put in use. These features should make checking of this income possible in future audits.

Logan Airport—Materials and Supplies: It was noted that a stock ledger was maintained beginning July 1, 1948, however, no control account for materials and supplies was opened in the general ledger until December 27, 1948. Prior to opening the control account in the general ledger, an inventory was taken on December 15, 1948 and reconciled to the individual accounts in the stock ledger. At this time the book balance was \$16,468.74. The value of the physical inventory amounted to \$4,280.85, revealing shortages of \$12,187.89. The individual stock ledger accounts were adjusted at this time. As the materials and supplies control account had not been opened at that date, no adjustment in that account was made and the actual inventory figure was not used as a beginning balance in opening the general ledger account. The date of the first entry on December 27, 1948 was made to record purchases in September 1948, and subsequent entries to record purchases in October, November, and December 1948 were made in January 1949. Issues were likewise posted. In March 1949 adjustments were made to bring on the difference between the amount as reflected in a trial balance of the stock ledger and general ledger control account.

An inventory of the storeroom on April 25, 1949 when compared with the stock ledger showed overages of \$763.52 and shortages of \$3,573.18 for a net shortage of \$2,809.66.

An inventory of supplies in the storeroom on April 25, 1949 not included in the materials and supplies stock ledger totaled \$1,015.78.

It was understood that an extra key to the storeroom is kept in the operation's office, and that employees other than the storekeeper use this key to obtain supplies without a requisition. It is possible that the excessive shortages reflected in this account are due to this condition. The purpose of keeping stock records

is defeated if such methods are used, and the efforts made to keep accurate records is wasted.

It is therefore recommended that a review be made of this condition by the management in order to correct it.

Hanscom Field, General: The Commonwealth of Massachusetts acquired the Hanscom Field airport from the War Assets Administration under a grant dated October 1, 1947.

The area consists of approximately 1,200 acres of land.

The airport itself is still in the development stage. There are several vacant buildings which could be rented; one is a large warehouse adjacent to a spur railroad track; another is a terminal building with space for seven offices and a baggage room. There is also a large gymnasium and several smaller buildings. In this connection it should be noted that under the Federal grant the use of the airport and its buildings is restricted to public aviation purposes only and the Civil Aeronautics Authority, a Federal agency enforces this provision.

Hanscom Field, Bonding of Employees: The only bonded employee at this airport is the senior bookkeeper, and since the airport manager countersigns all checks it is therefore recommended that a bond be obtained for him.

Hanscom Field, Materials and Supplies: The storeroom at this airport contains many items used for maintenance purposes. However, no inventory of these items has ever been made and no stock ledger has been set up for control purposes. Since these supplies are purchased with funds provided by the maintenance appropriation, it is recommended that an inventory be taken and a stock ledger be set up.

Hanscom Field, Vending Machines: Many of the lessees at this airport have allowed vending machines to be installed on the premises although their leases and permits do not contain any provisions regarding this matter. The Commonwealth derives no income from these machines.

Hanscom Field, East Coast Aviation Corporation: It was noted that one building rented to the East Coast Aviation Corporation for the purpose of selling aviation products is also being used to sell items such as television sets, washing machines, radios, household equipment and various miscellaneous items not connected with the aviation industry. This is contrary to the terms of their lease.

It is also understood that the East Coast Aviation Corporation uses the premises for repairing automobiles belonging to private owners. There is no authority given by their lease to do this work.

